

**FISCAL YEAR 2009
MONITORING REPORT ON THE
VOCATIONAL REHABILITATION AND
INDEPENDENT LIVING PROGRAMS
IN THE STATE OF
MICHIGAN**



**U.S. DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION**

NOVEMBER 5, 2010

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EXECUTIVE SUMMARY

The Rehabilitation Services Administration (RSA) reviewed the performance of the following programs authorized by the *Rehabilitation Act of 1973*, as amended (the Act or Rehabilitation Act) in the state of Michigan (MI):

- the VR program, established under Title I;
- the SE program, established under Title VI, Part B;
- the IL program, authorized under Title VII, Part B; and
- the IL OIB program, established under Title VII, Chapter 2.

Michigan Administration of the VR, SE, IL and OIB Programs

MI has two VR programs, MCB, operating as an Independent Commission and serving individuals who are blind or visually-impaired, and MRS as the designated state unit (DSU) serving all other individuals with disabilities. Both are housed within the MI Department of Energy, Labor, and Economic Growth (DELEG). MRS and MCB share joint responsibility with the MI Statewide IL Council (SILC) for the IL Part B program. MCB has responsibility for administering the OIB program.

MRS Performance Over the Past Five Years

From FY 2003 to FY 2007, MRS' employment rate remained unchanged at .54; the number of new applicants increased from 18,147 to 20,852; the number of individuals served increased from 29,027 to 33,606; and the average hourly earnings increased from \$9.66 to 11.50.

For the same period, of those individuals who achieved an employment outcome, the number who achieved a SE outcome decreased by 219 from 378 to 159, but these individuals' average hourly earnings increased from \$5.87 to \$6.51.

Both directly and through contracts with the 15 MI Centers for Independent Living (CILs), the number of individuals that MI's IL part B program has served increased from 9,101 in FY 2007 to 10,338 in FY 2008.

MCB's Performance Over the Past Five Years

From FY 2003 to FY 2007, MCB's employment rate increased from .61 to .66, the number of new applicants decreased from 641 to 522, the number of individuals served decreased from 2,115 to 1,722, and the average hourly earnings increased from \$11.32 to \$11.73.

For the same period, of those individuals who achieved an employment outcome, the number who achieved a SE outcome remained unchanged at 20 and these individuals' average hourly earnings decreased from \$9.69 to \$8.21.

The number of individuals that MCB's OIB Program served decreased by 189 from 1580 in FY 2003 to 1391 in FY 2008.

Strengths and Challenges: RSA identified the following programmatic strengths that contributed to MRS' and MCB's high or improved performance, as well as the challenges MRS and MCB face in their efforts to improve performance.

MRS Strengths

- The MI State Rehabilitation Council (SRC) is actively involved with MRS in fulfilling the SRC functions prescribed in the law and regulations. The SRC chairperson has access to MRS leadership and management and provides valuable input in the following activities: State Plan and policy development, strategic planning and program evaluation, policy formulation, conducting the comprehensive statewide needs assessment (CSNA) and consumer satisfaction survey, and in providing management with a knowledgeable consumer perspective in addressing agency challenges.
- MI contributes approximately \$1.8 million in general revenue funds to support the operation of CILs in the state.
- The MI Department of Corrections (MDOC) and MRS collaborate on the MI Prisoner Re-Entry Initiative (MPRI) to provide services to individuals released from prison to assist them in successfully returning to the community.
- The MI IL partners, including MRS, MCB, the SILC, and the Disability Network/Michigan (DN/M) have a productive working relationship.
- MRS has had consistent improvement in the area of self-employment.

MRS Challenges

- MRS' quality assurance (QA) system does not have a mechanism to effectively evaluate the various agreements with other entities that MRS uses to generate state matching funds.
- MRS is reliant on other entities for 48.6 percent of its state matching funds through various agreements.
- Due to funding cuts for long-term supports, some of MRS' SE partners have recently begun to cut services in this area. As a result in FY 2007, SE outcomes represented 2.1 percent of MRS employment outcomes as compared to the national general agency average of 11.3 percent.
- MRS' efforts with transition-age youths have yielded employment rates below those of national general agencies nationwide.
- It is a challenge to provide incentives to staff and opportunities for upward mobility.
- MRS needs to ensure that costs counting towards satisfying a cost sharing or matching requirement are verifiable from records and meet federal regulations for allowable match.
- MRS needs to ensure that Title 1 funds are only used for VR program purposes to benefit applicants or consumers of services.
- MRS' high turnover rate has resulted in 59 percent of senior state office staff, 44 percent of managers, and 38 percent of VR counselors with less than two years of experience.

MCB Strengths

- As stated above under MRS strengths, MI's \$1.8 million in general revenue funds to support the CILs and productive working relationships among the MI IL partners result in improved IL outcomes.

- The MI IL partners, including MRS, MCB, the SILC, and the DN/M have a productive working relationship.
- MCB has created opportunities for upward mobility through the classification of a rehabilitation teacher, representing a pay increase above the VR counselor classification.
- MCB has incorporated the MCB Training Center (MCBTC) as part of its orientation process for new VR counselors.

MCB Challenges

- MCB's QA system does not have a mechanism to effectively evaluate MCB's various agreements, services, and programs, including summer programs and mini-adjustment programs for transition-aged youths.
- The time and method for soliciting constituent input on policy development can delay implementation of new policies, e.g. hearing aid policy.
- MCB needs to ensure the appropriate use of the Innovation and Expansion (I&E) authority to develop initiatives that support the VR goals of individuals who are blind and visually-impaired. MCB is funding non-employment related projects under the authority.
- MCB services to transition-age youths focus more on adjustment to blindness than employment-related activities.
- MCB's data management system does not contain the necessary functions for VR counselors to effectively maintain their caseloads.
- MCB needs to provide accurate financial reporting to ensure proper financial planning for services.
- MCB needs to ensure that costs counting towards satisfying a cost sharing or matching requirement are verifiable from records, and meet federal regulations for allowable match.
- MCB needs to ensure that Title 1 funds are used only for VR program purposes to benefit applicants for, or recipients of, VR services.

INTRODUCTION

Section 107 of the Act requires the commissioner of RSA to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Act to determine whether a state VR agency is complying substantially with the provisions of its State Plan under section 101 of the Act and with the evaluation standards and performance indicators established under section 106. In addition, the commissioner must assess the degree to which VR agencies are complying with the assurances made in the State Plan Supplement for SE under Title VI Part B of the Act, and whether the programs offered under Title VII of the Act are substantially complying with their respective State Plan assurances and program requirements.

In order to fulfill its monitoring responsibilities, RSA:

- reviews the state agency's performance in assisting eligible individuals with disabilities to achieve high-quality employment and IL outcomes;
- identifies strengths, areas of consistently high performance, areas of improved performance, challenges, and areas of performance that need to be improved;
- recommends strategies to improve performance;
- requires corrective actions in response to compliance findings; and
- provides technical assistance (TA) to the state agency in order to improve its performance, meet its goals, and fulfill its State Plan assurances.

Scope of the Review

RSA reviewed the performance of the following programs of the Act:

- the VR program, established under Title I;
- the SE program, established under Title VI, Part B;
- the IL programs authorized under Title VII, Part B; and
- the OIB program, established under Title VII, Chapter 2.

In addition, RSA also reviewed MRS and MCB progress on the agencies' Corrective Action Plans that were established as a result of findings from RSA's FY 2004 Section 107 monitoring reviews.

Appreciation

RSA wishes to express appreciation to the representatives of DELEG, MRS, MCB's Commission, SRC, SILC, and the stakeholders who assisted the RSA monitoring team in the review of MRS and MCB.

CHAPTER 1: RSA'S REVIEW PROCESS

Data Used During the Review

RSA's data collections are finalized and available at different times throughout the year. RSA's review of MRS and MCB began in the fall of 2008 and ended in the summer of 2009. When FY 2008 data became available toward the end of the review period, and if these data signaled a significantly different level of performance than the previous five-year trend, RSA included the FY 2008 data in the report. Otherwise, this report relies primarily on RSA's FY 2007 data collections as the most recent source of data about the performance of MRS and MCB.

Review Process Activities

During the review process, the RSA MI state team:

- gathered, shared, and reviewed information regarding each program's performance;
- identified a wide range of VR and IL stakeholders and invited them to provide input into the review process;
- conducted an on-site visit, and held multiple discussions with state agency staff, SRC members, SILC members, and stakeholders;
- provided TA during the review process;
- identified areas of consistently high performance and areas of improved performance;
- identified performance areas for improvement and recommended that MRS and MCB undertake specific actions to improve its performance;
- identified compliance findings and required MRS and MCB to take corrective action;
- in collaboration with MRS and MCB determined whether RSA would provide TA to improve its performance or correct compliance findings; and
- identified issues for further review.

RSA MI Review Team Participants

Members of RSA's MI review team include representatives from each of RSA's State Monitoring and Program Improvement's (SMPID's) five functional units. The RSA MRS review team was led by Charles Sadler (TA Unit) and the MCB review team was led by RSA's state liaison to MI, Craig McManus (Fiscal Unit), and the following team members: Sue Rankin-White (TA Unit), Regina Luster (Fiscal Unit), Jean Yan (Data Unit), Christyne Cavataio (VR Unit), Deb Cotter (IL Unit), David Jones (VR Unit), and Julya Steyh (Data Unit).

Information Gathering

During FY 2009, RSA began its review of MRS and MCB by analyzing information including, but not limited to, RSA's various data collections, MRS' and MCB's VR and IL State Plans, and the Annual Reports for MRS' SRC and MCB. After completing its internal review, the RSA team carried out the following information gathering activities with MRS, MCB, and

stakeholders in order to gain a greater understanding of MRS' and MCB's strengths and challenges:

- conducted approximately 20 teleconferences with VR and IL stakeholders, MRS and MCB management, MRS and MCB program staff, MCB Commission members, SRC and SILC members and administrative staff, and OIB staff;
- conducted additional teleconferences with MRS and MCB partners including staff from the MI Developmental Disabilities Council (DDC), the MI Department of Human Services (DHS), MDOC, MDE, the Veterans Administration (VA), the MI Commission on Disability Concerns (MCDC), the MI Division of Deaf and Hard-of-Hearing, and MARO Employment and Training Association; and
- conducted an on-site monitoring visit from March 2 through March 6, 2009 for MCB, and April 27 through May 1, 2009 for MRS, and met with staff of DELEG, MRS, MCB, MCB's Commission, the Client Assistance Program (CAP), the Protection and Advocacy for Individual's Rights (PAIR) program, and members of the SILC and SRC.

CHAPTER 2: MRS VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

The following table provides data on MRS' VR and SE programs performance in key areas from FY 2003 through FY 2007.

Table 2.1
MRS Program Highlights for VR and SE Program for FY 2003 through FY 2007

Program Highlights	2003	2004	2005	2006	2007
Total funds expended on VR and SE	\$91,715,415	\$94,033,722	\$98,407,271	\$102,372,072	\$100,241,635
Individuals whose cases were closed with employment outcomes	6,201	7,103	7,537	7,590	7,680
Individuals whose cases were closed without employment outcomes	5,329	5,390	5,323	5,648	6,431
Total number of individuals whose cases were closed after receiving services	11,530	12,493	12,860	13,328	14,111
Employment rate	53.78%	56.86%	58.61%	57.33%	54.43%
Individuals whose cases were closed with SE outcomes	378	334	276	281	159
New applicants per million state population	1,800.30	1,860.04	1,865.32	1,976.83	2,068.02
Average cost per employment outcome	\$3,070.57	\$3,017.53	\$3,003.87	\$3,082.91	\$3,093.65
Average cost per unsuccessful employment outcome	\$2,364.55	\$2,424.60	\$2,449.79	\$2,387.81	\$2,530.82
Average hourly earnings for competitive employment outcomes	\$9.79	\$10.49	\$10.79	\$11.14	\$11.60
Average state hourly earnings	\$18.91	\$19.24	\$19.81	\$20.16	\$20.72
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	51.77%	54.52%	54.47%	55.26%	55.98%
Average hours worked per week for competitive employment outcomes	32.07	32.39	32.21	32.39	32.51
Percent of transition age served to total served	33.05%	34.16%	34.46%	33.62%	34.33%
Employment rate for transition population served	49.28%	51.63%	52.44%	49.70%	46.50%
Average time between application and closure (in months) for individuals with competitive employment outcomes	18.1	18.1	17.3	17.0	16.9
Performance on Standard 1	Not Met	Met	Met	Met	Met
Performance on Standard 2	Met	Met	Met	Met	Met

VR and SE Service Delivery

The latest MRS reorganization in FY 2008 was designed to promote greater organizational effectiveness and efficiencies with fewer staff. The 38 offices throughout the state are divided into four divisions and 13 districts. In response to severe budget constraints since the 1990s, MRS began to seek additional sources for matching the federal appropriation through local funding arrangements with schools and community mental health (CMH) agencies.

Every MRS district office is co-located in, and partners with, a Michigan Works! Service Center, which is MI's name for the one-stop service delivery system created under the Workforce Investment Act (WIA). There are 25 Michigan Works! agencies overseeing more than 100 local Michigan Works! Service Centers, where job seekers and employers can access services. Many of the MRS local VR offices are co-located in the local service centers. The MRS director is a member of the Statewide Workforce Investment Board (WIB) and all local WIBs have MRS staff as board members.

The VR case flow time frame from application to closure for individuals achieving a successful employment outcome is significantly shorter than the national average. Approximately 25.4 percent of MRS applicants' service records were closed within six months from application to closure, compared to the national average of 13.6 percent. Of the 1,961 MRS individuals with an employment outcome, and whose service records were closed within four to six months in FY 2007, the majority of the individuals (61.6 percent) were employed at application.

MRS defines the age range for transition-age youths from 14 to 26. In response to its commitment to increase the number of employment outcomes of transition students, MRS has tasked the statewide transition consultant to improve the performance and consistency of district offices serving youths throughout the state. For transition-age youths referred to MRS in FY 2007, the percent of referrals from elementary and secondary schools is 66.6 percent compared to 52.1 percent for general agencies nationally. The employment rate is 46.5 percent compared to 56.1 percent for general agencies nationally.

MRS operates the MI Career & Technical Institute (MCTI) in Plainwell, the second largest comprehensive rehabilitation center in the country. MCTI provides career training and support to mostly transition-age youths who have completed high school. MCTI is expanding its outreach to establish commuter locations in the communities of Detroit and Lansing so that it can serve a more diverse population.

MRS contracts for community rehabilitation program (CRP) services, including evaluation and assessments, job development and placement, job training, and some employment opportunities.

Personnel

In FY 2008, MRS had 515 full-time equivalents (FTEs) that include 57 administrative staff, 259 VR counselors, 170 support staff, and 29 individuals categorized in other staff category. In late 2007, the agency experienced a hiring freeze, but was granted an exception to hire approximately

11 VR counselors during the early part of 2008 to fill 18 vacancies. MRS promoted 10 to 15 staff members to managerial positions during the past year.

MRS has been experiencing high turnover among senior staff, and it is estimated that 25 percent of VR counselors and 50 percent of managers are currently eligible to retire. Most field offices have a VR counseling staff that averages three years or less experience. This has impacted MRS succession planning efforts since there are fewer experienced mentors for new employees.

Because MRS was not able to fill positions at the Certified Rehabilitation Counselor (CRC) level with a master's degree in rehabilitation counseling, it amended the VR counselor job specifications and requirements to enable individuals with master's degree in related field to apply. MRS provides VR counselors with management training in order to prepare for supervisory positions. Staff training needs are tracked at the district offices and submitted to the staff development unit in the central office.

Data Management

MRS uses one commercial software system to manage its VR program. A separate module within the system provides a subset of information associated with students at MCTI. MRS central office staff maintains the server and conducts quality control for the purposes of reporting and accountability. IL service records are maintained in a separate system utilized by the CILs.

MRS started using its current stand-alone system located in the central office in 1999 and recently updated to a more comprehensive and user-friendly version. The agency has five separate servers, each performing one of the following functions: operation and production, testing, report preparation, development, and running a previous version of the system.

MRS developed a user guide for collecting and reporting the RSA-911 data. It uses the RSA_EDIT program to verify data accuracy and contains some built-in edits and testing protocols. MRS' system allows for data correction after a service record is closed, only within specific policy guidelines and only through the Central Office system support staff. In addition, data quality is verified in the central office and data are backed-up daily.

A system user customization committee meets as needed to discuss issues related to the management and functions of the system. One-day training is provided to all new counselors. A Support Help Desk guide and a user's Job Aid package that is stored in the agency's shared drive provide instructions, samples, and templates.

MCTI's case management system (CMS) was developed in 2005 to contain only MCTI student data. The system includes data for students funded by MRS, as well as individuals whose funding comes from other sources. It interfaces with the MRS system and links VR students to their "home counselors." MCTI manages the system and the central office provides maintenance and technical support. It also tracks the costs of services for individual consumers and expenditures to vendors.

Quality Assurance

MRS has a partnership with the MI State University (MSU) Project Excellence (PE) to conduct program evaluation and consultation as part of its QA system. QA services provided by PE include: conducting the CSNA, analyzing RSA-911 data, conducting a program evaluation of MCTI resulting in recommendations to improve internal controls, and providing consultative services to MCTI and MRS to improve their consumer service surveys. An Evaluation and Program Support Division (EPSD) exists within the MRS organizational structure and principally provides case management support and support services within the agency, including federally required financial and performance reports, the customer satisfaction survey, management of the MSU evaluation of trends, and the MSU evaluation of the MRS (and MCTI sub-system) data integrity, and MSU program evaluation studies. The EPSD does not evaluate service delivery through the various agreements in place throughout the state.

The SRC has been an instrumental partner with MRS to further implement an effective QA system within MRS. In response to complaints from consumers, some of whom went to the CAP for assistance, the SRC conducted a “mystery shopper activity” during late spring 2006 to determine if customers were waiting excessive periods of time to attend MRS orientation sessions around the state. As a result of these findings, MRS developed a more uniform and consistent orientation process.

The components of MRS’ QA system include a number of discrete processes that are not integrated to the extent necessary to provide management with a comprehensive analysis of how the agency is performing.

Planning

MRS is currently in the first year of a newly-implemented strategic planning process that established a new mission, vision, and goals. The process began when the agency convened a workgroup consisting of the executive team, field office managers, site managers, VR counselors, MCTI staff and the SRC. The group designed a comprehensive review process including an environmental scan and a review of agency challenges and opportunities. The entire executive team visited district offices and partners to discuss the new strategic plan and the implementation strategy. Evaluation criteria for each of the goals have been established and will be measured with findings released to stakeholders for feedback. As part of this strategic plan, and in coordination with PE and the SRC, the CSNA was completed during FY 2008 in cooperation with MRS, MSU, the SRC, and MCB.

Areas of Consistently High or Improved VR and/or SE Performance

1. Self-Employment

As indicated by Table 2.2 below, MRS has had consistent improvement in the area of self-employment between FY 2003 and FY 2007. Interested consumers participate in specific assessments and activities in order to determine their ability to achieve a self-employment outcome. District managers assign self-employment “champions” who visit local offices to

explain the process for achieving a self-employment outcome to VR counselors. A small business consultant travels from office-to-office to ensure consistency and to promote effective practices in dealing with funding issues and in developing business plans. The consultant also conducts labor market research and reports areas of growth within the state.

Table 2.2

MRS Individuals with Self-Employment Status at Closure for FY 2003 through FY 2007

	2003	2004	2005	2006	2007	Change from 2003	General Agencies 2007
Employment Outcomes							
Self-employment (except BEP) outcomes	72	89	101	98	125	73.6%	1,418
Percent of total outcomes	1.2%	1.3%	1.3%	1.3%	1.6%	0.5%	1.4%
Total employment outcomes	6,201	7,103	7,537	7,590	7,680	23.9%	102,582

VR and SE Programs Technical Assistance Provided to MRS During the Review Process

RSA provided TA to MRS on the VR and SE programs regarding the following:

- program requirements related to agreements for obtaining state matching funds;
- strategies to improve rehabilitation outcomes of transition-age youths;
- provisions related to financial needs test for controlling expenditures;
- process for determining the need to establish an order of selection (OOS);
- establishing evaluation mechanisms to assess the impact of MCTI;
- establishing methods to evaluate services provided by external service providers;
- tracking timelines for referral to application;
- recruitment and succession activities; and
- SRC role in promoting MRS activities.

Observations of MRS and Its Stakeholders about the Performance of the VR and SE Programs

RSA solicited input from MRS and a wide range of its stakeholders about the performance of the VR and SE programs. The MRS and its stakeholders shared their observations, as described below.

- Stakeholders were very positive regarding the performance of MRS.
- A significant portion of MRS staff members are new and could benefit from training, but due to the declining economy, managers are devoting more time to identifying state match sources than employee development.
- Transition-age youths are not always entering the VR program while they are in school due to ineffective communication between MDE and MRS.

- Due to successful collaboration between DHS and MRS, families who previously received welfare became self-sufficient.
- There were concerns regarding service delivery to individuals who require higher levels of support, including long-term extended services.
- MRS does not currently have a deaf and hard-of-hearing specialist on staff, resulting in heavy reliance on other agency personnel for such skills.
- MRS implemented a remediation strategy to improve VR participants' soft skills through a CRP that earned a national award.
- MRS' training with Michigan Works! Service Center staff members better prepare them to work with individuals with disabilities.
- The Governor has not appointed state employees to councils, including a special education liaison on the SRC.
- MRS created additional opportunities for transition-age youths through the development of "cash match" agreements with intermediate school districts (ISDs), including the placement of a transition consultant at each ISD.
- The successful collaboration between MRS and the VA has resulted in a Memorandum of Understanding (MOU), designed to delineate the respective roles of each agency in serving veterans with disabilities.

Continuing Education Needs of MRS Staff

RSA solicited input from MRS and its stakeholders and identified continuing education needs of its staff on strategies to work with special populations, including individuals with severe and persistent mental illness (SPMI), and individuals with substance abuse as either a primary or secondary diagnosis.

VR and SE Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to MRS about those observations.¹ MRS responded to each of the recommendations and in those instances when RSA and MRS agreed upon a recommendation, RSA and MRS identified the TA that RSA would provide to MRS to successfully implement the recommendation.

1. MRS "Cash Match" Agreements

Observation: MRS receives the least amount of state general funds as a percentage of its overall state match of any of the state VR agencies. MI appropriates \$11,296,193 in general funds to MRS to operate the VR program, representing 51.4 percent of funds required to match

¹ MRS questioned much of the data contained in this report and submitted a separate set of data, calculated by the MSU PE, and requested that RSA use these data as the bases for the observations and findings in this report. However, since RSA uses a uniform method for the calculation of monitoring data for all agencies, based upon RSA-911 data submitted by each agency, the variance noted by MRS (per MSU PE) may yield a different result because the formula for the calculation was different than the one utilized by RSA. Because RSA's uniform method for calculating monitoring data enables it to establish peer and national trends, RSA retained its use of that uniform method throughout this report.

the federal appropriation. Due to the level of state matching funds, MRS developed “cash match” agreements with other entities to secure the balance of matching funds for the VR program.

The table in the Appendix, “FY 2008 MRS Cash Match Agreements,” identifies the agreement with each entity, including the partner’s financial contribution and the resulting federal match. In FY 2008, these entities contributed more than \$6.5 million in order to help MI match the federal appropriation.

RSA reviewed a substantive sample of the “cash match” agreements and observed that the agreements include references to the federal regulations related to third-party cooperative arrangements in 34 CFR 361.28, whereas these agreements represent interagency transfers of funds from other public agencies to match the federal appropriation. Therefore, 34 CFR 361.28 does not apply to these agreements. In addition, the agreements include limited evaluation activities and MRS does not routinely provide information to partners about the performance of the agreements.

In discussions, MRS staff and stakeholders provided the information below related to the “cash match” agreements.

- The primary purpose for the “cash match” agreements is to secure essential non-Federal funding to provide the requisite non-Federal share to match the VR grant awarded to MRS.
- District managers are tasked with identifying additional partners at the local level to secure essential funding via “cash match” agreements.
- Partner agencies in the most impoverished areas of the state were less able to provide MRS with funds to be used as match.
- In some districts, CILs conduct VR orientation for MRS under “cash match” agreements.

Based on the results of a service record review² of individuals served under the “cash match” agreements, conducted for the purpose of determining the timelines to complete the various steps in the rehabilitation process, including application, eligibility, Individualized Plan for Employment (IPE), and closure, RSA made the observations described below.

- Table 2.3 below indicates 30.0 percent of individuals who achieved an employment outcome proceeded from application to closure in six months or less, compared to the national general agency average of 14.5 percent.
- Approximately 4.6 percent of these individuals achieved employment outcomes in three months or less, compared to the national average of 0.9.
- In 18 service records, the individuals were working either on the same day or within 30 days of the date of the IPEs being signed.

² See Appendix for The Service Record Review Form and a table containing the review findings.

Table 2.3
MRS Service Record Breakdown by Time from Application to Closure with
Employment Outcomes for FY 2007

Agency	Total	3 months or less	4 to 6 months	7 to 9 months	10 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	5 to 10 years	More than 10 years
MRS number	7,680	354	1,952	1,312	890	1,689	597	575	296	15
MRS percent	100.0%	4.6%	25.4%	17.1%	11.6%	22.0%	7.8%	7.5%	3.9%	0.2%
All general agencies percent	100.0%	0.9%	13.6%	15.7%	12.6%	28.0%	12.2%	10.8%	5.8%	0.4%

Discussions with CMH staff responsible for the implementation of the agreements disclosed the information below.

- MRS was merely a “broker” of services in the agreement and provided little, if any services, beyond completing the required paperwork, including the eligibility determination, IPE, and authorizations for services.
- In some instances, partner staff provided job development and placement services to individuals prior to their referral to MRS. By the time of the actual referral, the individuals had been interviewed for employment, and, in some cases, were actually employed.

Recommendations: RSA recommends that MRS:

- 1.1 complete a systematic review of all of the MRS “cash match” agreements, delete references to the 34 CFR 361.28 requirements pertaining to third-party cooperative arrangements, and redefine the agreements in terms of their actual intent and purpose;
- 1.2 develop a centralized locus of control in headquarters for maintaining accountability to the partners; and
- 1.3 continue its efforts to work with DELEG, whenever possible, to increase state funds for the VR program in its annual budget proposal.

Agency Response: Overall, MRS questions the data presented by RSA in this report. The data presented differs from that calculated by MRS.

With regard to Recommendation 1.1, MRS has already conducted a systematic review of the agreements and has rewritten the agreements for FY 2010. MRS wants to point out that it has consulted with RSA in the past with regards to the “cash match” agreements, and believed it was in compliance with Federal requirements. These agreements were reviewed by the MI Attorney General’s and the MI Auditor General’s offices, as well.

MRS disagrees with Recommendation 1.2 because MRS has already placed partner agreements, AWARE vendor information, and expenditure agreements in one division with the reorganization that took effect October 2008.

MRS questions the need for Recommendation 1.3. MRS has discussed and identified the need for increased state funding with the designated state agency, the MI Department of Management

and Budget, the SRC, and the MI legislature for more than 15 years. MRS will continue to do so. MI's extreme economic deficit does not enable current consideration of increased state match for the VR programs. MRS is working diligently to minimize 2010 state match reductions and to position VR for increased support when the economy improves. MRS/MCB/SILC established a resource development group three years ago, which we believe helped to mitigate budget reductions in 2008 and 2009 through DELEG (MRS/MCB) involvement, legislative brochures, newsletters, and meetings. MRS and MCB directors have collaborated over the past seven years to educate and inform the MI legislature about the VR program, return on investment, and budget challenges.

Technical Assistance: None requested at this time.

2. Transition-Age Youths

Observation: Table 2.4 below indicates the rehabilitation rate for transition-age youths has decreased over the past five years and is lower than the national rate for this population.

Table 2.4
MRS Employment Outcomes and Employment Rates for Transition Youths (ages 14-24)
Using Age at Application for FY 2003 through FY 2007

Transition Employment Outcomes	2003	2004	2005	2006	2007	Changes from 2003
MRS employment outcomes	1,878	2,203	2,324	2,212	2,253	20.0%
All general agencies employment outcomes	30,195	30,591	30,232	30,662	30,380	0.6%
MRS employment rate	49.3%	51.6%	52.4%	49.7%	46.5%	-2.8%
All general agencies employment rate	54.5%	50.1%	55.8%	55.6%	56.1%	1.6%

- The interagency agreement between MDE and MRS has not been updated since 1999 and since that time, both agencies have experienced a high turnover in key positions.
- The resources available in the local districts are directly proportional to the amount of funding that the VR office is able to match with partner agency funds, namely ISD and CMH agencies. Similarly, districts like Detroit, whose tax base has been severely eroded in this economic downturn, have insufficient resources to adequately serve the target population.
- In discussions, SRC members indicated that it would be beneficial to have a youth representative appointed to the council to represent the interest of transition-age youths.
- VR counselors are not invited to Individualized Education Plan (IEP) meetings because the school system requires the parent of a youth with a disability to sign a release of information form. In a majority of instances, especially in the Detroit area, parents are not signing the release form, and schools are still requiring parental signature of the form regardless of whether the youth has reached the age of consent (18 years old).

- According to Detroit Public School (DPS) staff, the consent form is not completed due to the following reasons: confusion surrounding the release of information rules causing some DPS staff not to bother with obtaining a signed release form; a distrust of government; not wanting to sign anything giving access to confidential information; and the prevalence of single parent households that lead to the lack of parental involvement in the IEP process.

Recommendations: RSA recommends that MRS:

- 2.1 convene regularly scheduled meetings with the MDE in order to develop and implement a new interagency agreement establishing the roles and responsibilities for each partner to assist youths with disabilities to transition from school to post-school activities, and to discuss and resolve ongoing implementation issues;
- 2.2 integrate transition performance and financial data into short and long-term planning activities in order to ensure that a proportionate amount of resources is provided to this population and to MRS district offices serving this population;
- 2.3 collaborate with the Governor's office in order to appoint a youth representative to the SRC to provide the youth perspective; and
- 2.4 increase the utilization and cost-efficiency of MCTI in light of the increasing demand for services to transition-age youths as well as the increasing costs to run a comprehensive rehabilitation center; and collaborate with ISDs in the DPS to ensure that release forms are appropriately explained and signed to allow for VR to participate in the IEP meetings.

Agency Response: With regard to Recommendation 2.1, MRS is currently meeting with key education partners. MRS will explore a new agreement and meetings with MDE.

We believe Recommendation 2.2 is based on the challenges MRS faced in Detroit, which resulted in our Detroit consolidation and TQM redesign. We have incorporated Recommendation 2.2 into goal #3, objective #4 of MRS' Long-Term Plan, i.e. to identify and effectively serve target populations (See Attachment E). Activity is in process.

With regard to Recommendation 2.3, MRS will support the SRC's recommendation to the governor's office.

With regard to Recommendation 2.4, MCTI's main campus maintains a daily utilization of more than 90 percent, serving primarily transition-age youth with excellent results. MCTI is developing expansion in Southeast MI to increase overall utilization of MCTI model. Concurrent with programmatic changes, MCTI also is involved in significant enhancements to improving energy efficiency, which should help address increasing operating costs.

Technical Assistance: None requested at this time.

3. Quality Assurance

Observation: Although MRS has a QA system in place, our review of that system did not demonstrate that the QA processes are integrated in such a way as to allow MRS to assess the internal service delivery, including services provided by "cash match" agreements and MCTI,

and the external services provide by local CRPs. As a result, MRS cannot effectively evaluate the agency's financial and programmatic performance on an ongoing basis.

- MRS Policy Unit conducts service record reviews to identify trends in casework practice.
- While MRS has standards in place to evaluate VR counselor performance, MRS does not have standards for determining the quality of VR services under the "cash match" agreements, nor does it have a system to ensure the accountability of internal service delivery.
- ISD staff substantiated the lack of accountability for the funds transferred to MRS to provide services to transition-age youths, and the lack of outcome data on referrals.
- MRS does not have a mechanism to evaluate the performance of external service providers including CMH agencies and CILs.

Recommendations: RSA recommends that MRS:

- 3.1 improve existing comprehensive QA processes within MRS to integrate agency performance and financial systems efficiently and effectively so that MRS can effectively evaluate its internal service delivery and the external services provided by CRPs on an on-going basis; and
- 3.2 develop methods to evaluate the quality of internal and external VR service delivery (which are different from the methods MRS has in effect to evaluate staff performance), including MCTI services.

Agency Response: MRS does not agree with Recommendation 3.1. There was no discussion with the director of this issue. MRS staff new to current positions may not have fully comprehended the design implemented before they started (See Attachment B). MRS is willing to compare our QA system against an existing example identified by RSA.

MRS disagrees with Recommendation 3.2. MRS has standards for measuring the performance of all staff, including regular case reviews. All VR counselors are held to the same performance standards, including those with cash match assignments.

MCTI has a significant system of accountability. The Business Advisory Teams perform an annual trade training evaluation, and the MRS AWARE MCTI Service Module database provide the necessary information for evaluation. These systems were put in place in response to the MRS MCTI Program Audit of 2007. MSU PE provides student statistic and quantifiable analysis. MCTI and the Business Advisory Teams (comprised of employers) review vocational trade training curriculum, equipment, and student skills; making recommendations and providing input associated with the job market associated with each trade. MCTI is accredited by CARF and Post Secondary Adult Programs within the North Central Accreditation system, both significant evaluation entities.

RSA Response: MRS indicated it has a system of accountability in response to the MCTI program audit of 2007, resulting in the implementation of activities conducted by the Business Advisory Team and MSU PE. However, the implementation has not demonstrated the effectiveness of services provided by MCTI.

Technical Assistance: None requested at this time.

4. Orientation/Intake

Observation: The orientation process is highly standardized; however, there is inconsistency in the timeframe for conducting the orientations and in the time that it takes for an individual to move from referral to application status. Currently, MRS' CMS only allows entry of the same date for referral and application, thus undermining the utility of that information. Since MRS has established a 90-day timeline from referral to application, it is important that the CMS be able to track whether the individuals are indeed moving from referral status to application status within MRS' established 90-day timeline.

Recommendation: RSA recommends that MRS develop and implement a system to assess whether VR counselors are adhering to MRS' established 90-day timeline, including activation of the referral module in the CMS.

Agency Response: MRS will assess the system and staff requirements for activation of the referral module after the computer servers have moved to virtualization, and other identified federal and state information technology requirements are met.

Technical Assistance: None requested at this time.

5. Supported Employment

Observation: Table 2.5 indicates that MRS assisted 159 individuals to achieve an SE outcome in FY 2007, well below the 496 median of its peers³, primarily as a result of insufficient resources for extended services.

Table 2.5
MRS Comparison to Peers of SE Outcomes for FY 2007

Individuals Served and Outcomes	MI-General	IL-General	IN-General	MN-General	NJ-General	Peer Median	Compared with Peers
Total individuals served	14,111	9,347	8,669	3,914	6,739	8,669	highest
Total employment outcomes	7,680	5,603	5,046	2,502	4,369	5,046	highest
SE outcomes	159	274	742	496	1,232	496	lowest

In addition, as shown in Table 2.6, SE outcomes represented 2.1 percent of MRS employment outcomes compared to the national general agency average of 11.3 percent.

³ Peer group represent those agencies that are similar to MRS in grant size. For MRS, the agencies in the peer group are Illinois-Combined, Indiana-Combined, Minnesota-General, and New Jersey-General.

Table 2.6
MRS SE Status at Closure for Successful Employment Outcomes for FY 2007

Employment Outcomes	Non-SE or information not available	SE-Title VI B funds	SE-Non-Title VI B funds	All general agencies
Employed with supports in integrated setting	0	69	90	11,570
Percent	0.0%	0.9%	1.2%	11.3%
Total employment outcomes	7,102	283	295	102,581
Percent	92.5%	3.7%	3.8%	100.0%

At the time of the review, MRS and CMH were reviewing the “Guidelines for Supported Employment,” developed in 1999, to determine provisions that could be updated to improve collaboration.

Recommendations: RSA recommends that MRS:

- 5.1 review and update the agreements between MRS and CMH to increase the number of individuals with SPMI and developmental disabilities that receive SE services, with particular attention to the provision of extended services; and
- 5.2 finalize the review and update the “Guidelines for Supported Employment” to contain the evidence-based practices that have contributed to improving SE success during the past decade.

Agency Response: MRS questions the necessity of Recommendation 5.1 since these activities continue to be in process (new agreement with evaluation measures and processes).

With regard to Recommendation 5.2, MRS is already engaging in this activity as part of its continuous improvement initiative with the MI Department of Community Health.

Technical Assistance: None requested at this time.

6. Improvements in MRS’ Data Systems for VR and MCTI Records

Observation: MRS’ data management system stores a large amount of data in a user-friendly environment that contributes to staff productivity. However, while the system tracks the amount of funding provided to vendors, it does not contain vendor performance information. The system does not link the significant disability indicator with a consumer’s Supplemental Security Income/Social Security Disability Insurance (SSI/SSDI) status. Managers and VR counselors may generate more than 80 useful reports, some of which evaluate employee performance. The coding of non-VR cases between the MRS and MCTI systems is inconsistent, resulting in inaccurate data. In addition, the validity checks require improvements.

Recommendations: RSA recommends that MRS:

- 6.1 develop a mechanism within the system to track vendor performance in assisting individuals with disabilities to achieve employment outcomes; and
- 6.2 link the system's significant disability indicator with the individual's SSI/SSDI status.

Agency Response: With regard to Recommendation 6.1 pertaining to vendor performance, MRS, MSU PE, and Alliance Enterprises applied for a grant in FY 2004 from the RSA TA Grant Center to explore this issue. MSU PE performed a literature review, discovering no other state conducted vendor performance evaluations. MRS was not awarded the grant. MRS has since speculated customer motivation, disability, the local economy, and other difficult-to-measure items were problematic in conducting impartial vendor evaluation. Vendor performance is a huge issue no state has yet been able to tackle. For MI to do so, additional funds and staff would be required.

The suggested link in Recommendation 6.2 is the next logical step in our integration of SSA's SSI/SSDI customer data to the MRS customer database. The next iteration of the software MRS uses to track customers (used by approximately 19 other VR programs) contains this functionality. Upon receipt of the new code and satisfactory testing, MRS will begin to use this function.

Technical Assistance: None requested at this time.

7. Utilization of MCTI

Observations: MRS operates the second largest comprehensive rehabilitation center in the nation at an annual cost of \$9 million (9 percent of MRS' \$100 million budget)⁴. Ninety-one (17.7 percent) of MRS' 515 staff are employed at the center. The outcomes of MCTI represent only 3 percent of the entire agency's outcomes. Therefore, it appears that a disproportionate amount of MRS resources are going to MCTI as compared to the outcomes achieved. Resources available at MCTI also appear to be under-utilized.

- In FY 2007, MCTI served 930 VR consumers, with 312 individuals graduating from the Institute, and 81 percent of the graduates achieving an employment outcome.
- Due to the few MCB students at MCTI, the center staff have limited experience working with individuals who are blind or visually-impaired.
- In 2007, administrative costs represented 35 percent of MCTI's total expenditures. The average length of stay for students was 365 days, the longest compared to other rehabilitation centers across the country.

Recommendations: RSA recommends that MRS:

- 7.1 develop program evaluation strategies to assess the impact of MCTI and its impact on MRS consumers; and
- 7.2 conduct an evaluation of MCTI operations and staff to determine how MRS can better utilize this costly component of its service delivery system.

⁴ RTI International, "Targeted Evaluations of State VR Agency Practices, State Operated Comprehensive Rehabilitation Centers," DRAFT REPORT: March 31, 2009.

Agency Response: MRS questions the necessity of Recommendation 7.1 since MCTI has a significant system of accountability. The Business Advisory teams perform an annual trade training evaluation and the MRS AWARE MCTI service module database provides the necessary information for evaluation. These systems were put in place in response to the MRS, MCTI program audit of 2007. MSU PE provides statistical and quantifiable analysis on students. MCTI and the Business Advisory teams (comprised of employers) review vocational trade curriculum, equipment and student skills to make recommendations and provide input related to job market requirements for each trade. MCTI is accredited by CARF, Post Secondary Adult programs within the North Central Accreditation system, both significant evaluation entities.

Technical Assistance: None requested at this time.

VR and SE Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that MRS is required to undertake. MRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and is available to provide TA to assist MRS. RSA reserves the right to pursue enforcement action, including the recovery of Title I VR funds and Title VI SE funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

1. Individualized Plan for Employment (IPE)

Legal Requirements:

34 CFR 361.22(a)(2) states that the time-line for the development and approval of the IPE for an eligible student with a disability is as early as possible during the transition planning process but, at the latest, by the time each student determined to be eligible for VR services leaves the school setting.

34 CFR 361.46(d) states that the IPE for a student with a disability who is receiving special education services must be coordinated with the IEP for the individual in terms of the goals, objectives, and services identified in the IEP.

34 CFR 361.45(d)(3)(i) requires that the IPE be agreed to and signed by the eligible individual or, as appropriate, the individual's representative.

34 CFR 361.45(d)(3)(ii) states that the IPE must be approved and signed by a qualified VR counselor employed by the DSU.

Finding 1: MRS is not in compliance with 34 CFR 361.22(a)(2), which requires MRS to develop and approve an IPE for a student in transition prior to the student exiting school. During RSA's service record review, RSA found that only eight (44.4 percent of those reviewed) records contained a signed IPE prior to the student leaving school. Interviews with DPS and MRS staff

substantiated the results of the service record review that IPEs were not always developed and approved prior to the student leaving the school setting.

Corrective Action 1: RSA requires that MRS take the necessary steps to ensure that IPEs for transition-age youths determined eligible for the VR program are developed and approved prior to the individual exiting school, as required by 34 CFR 361.22(a)(2).

Agency Response: MRS believes that, for purposes of 34 CFR 361.22, the only customers that should be considered transition-age youth are those who are still in a K-12 or other special education school program and have an IEP. There is, however, no data available in any RSA database to address this legal requirement. The AWARE system has a transition program participant variable on the application page. Using this variable, MRS first identified the FY 2007 cases that had an IEP (6,625). Of those, 4,105 customers were reported as transition cases, 1,024 cases were reported as being former transition cases and 1,494 customers were reported as not being transition cases. These findings suggest that only 4,105 MRS customers (3,034 less than reported by RSA) closed in 2007 would meet the legal requirements of transition youth. This is a definition issue. (See Attachment C).

MRS disagrees with RSA's finding that MRS has failed to comply with 34 CFR 361.22. MRS questions the statistical significance of RSA's sample and believes the service record review sample size underrepresented the Detroit Renaissance District and the state in referencing whether MRS has complied with the requirement of 34 CFR 361.22. Our information demonstrates a higher compliance rating. It should be further noted that 76.2 percent of the youth (using RSA's definition of youth) had an IEP, while 39.9 percent had less than a high school diploma when they applied for services.

RSA Response: While we understand that a large percentage of students with disabilities receive special education services pursuant to an IEP, 34 CFR 361.22 encompasses all students eligible for the VR program, regardless of whether they are receiving special education services. In fact, 34 CFR 361.22(a)(1) requires MRS to have policies and procedures in place on how it will work with the educational agencies to facilitate the transition of students with disabilities, and 34 CFR 361.22(b) requires MRS to have a formal interagency agreement in place with the state educational agency (SEA) that coordinates services for eligible students with disabilities transitioning from school to post-school activities. Neither of these requirements are limited to students receiving special education services. Therefore, all students determined eligible for VR services are required to have their IPEs developed and approved before they exit the school system pursuant to 34 CFR 361.22(a)(2). However, we found, based on a review of service records and interviews with MRS and DPS staff, that only 44.4 percent of the eligible students had IPEs developed and approved before leaving school.

Technical Assistance: None requested at this time.

2. Composition of the SRC

Legal Requirement: 34 CFR 361.17(b)(1)(x) - Composition.

At least one representative of the SEA responsible for the public education of students with disabilities who are eligible to receive services under this part and part B of the Individuals with Disabilities Education Act.

Finding 2: MRS is not in compliance with 34 CFR 361.17(b)(1)(x) because it does not have at least one representative from the SEA to serve on the SRC. The Secretary of MDE appointed a special education liaison to serve as a resource. However, a State agency's appointment of someone to serve as a resource for the SRC does not suffice for purposes of 34 CFR 361.17(b)(1)(x). All appointments to the SRC, including the SEA member, must be made by the Governor.

Corrective Action 2: RSA requires that MRS take the steps necessary to ensure that the Governor appoints to the SRC at least one representative of the SEA responsible for the public education of students with disabilities who are eligible to receive services under this part and part B of the IDEA, as required by 34 CFR 361.17(b)(1)(x).

Agency Response: MRS has recently learned from the Governor's appointment office that the superintendent of MDE has been appointed to serve on the SRC. The superintendent will officially designate a representative with voting rights. The SRC will revise its by-laws accordingly.

RSA Response: RSA appreciates the fact that the Governor has now appointed the MDE superintendent to serve on the SRC as required by 34 CFR 361.17(b)(1)(x). In light of this new information, there is no further action that MRS needs to take with regard to the corrective action outlined above. RSA reminds MRS, however, that the agency's State Plan assurance regarding this appointment is still outstanding and must be submitted.

Technical Assistance: None requested at this time.

3. Financial Needs Testing for SSI/SSDI recipients

Legal Requirement:

34 CFR 361.54(b)(3)(ii) states:

The designated state unit may not apply a financial needs test, or require the financial participation of the individual –

(ii) as a condition for furnishing any vocational rehabilitation service if the individual in need of the service has been determined eligible for Social Security benefits under Titles II or XVI of the Social Security Act.

Finding 3: MRS is not in compliance with 34 CFR 361.54(b)(3)(ii) because it is administering a financial needs test to families of VR participants, who are SSI/SSDI recipients and beneficiaries, receiving post-secondary education. Section 6625 (Training – College and Vocational Services) of MRS' Rehabilitation Services Manual, Procedure 13, states:

Exemption from financial needs test. The income of individuals who are eligible for Social Security benefits under Title II and XVI of the Social Security Act shall be excluded (subtracted) from the family expected family contribution (EFC) for the months the student is in attendance at a post-secondary institution. (Example: The EFC for an SSI recipient is \$5,000. The recipient receives \$500 per month. The student will attend school from September to December [4 months] and February to May [4 months] for a total of 8 months. The SSI exclusion from the EFC is 8 months times \$500 = \$4,000. New EFC is \$5,000 minus \$4,000 = \$1,000). The college financial aid office must be notified on the RA-6627 to avoid an over-award due to a social security exclusion.

Procedure 13 implies that the individual receiving SSI/SSDI benefits would not be required to use his/her SSI or SSDI income towards the cost of his/her VR services, but that the individual's family would be subject to financial needs testing. Regulations at 34 CFR 361.54(b)(3)(ii) clearly state that the DSU may not apply a financial needs test as a condition for furnishing any VR service if the individual is eligible for Social Security benefits.

Corrective Action 3: RSA requires that MRS take the necessary steps to ensure that it does not administer a financial needs test as a condition for furnishing any VR service for SSI/SSDI beneficiaries and recipients, as required by 34 CFR 361.54(b)(3)(ii).

Agency Response: MRS will revise its policy to comply with most recent interpretation.

RSA Response: RSA asks that MRS submit its revised policy to RSA upon completion. RSA will provide the requested TA to MRS as needed.

Technical Assistance: MRS requests clarification regarding the distinction between requirements to apply for financial aid vs. requirement to use all financial assistance as comparable benefits and not duplicating other resources, such as SSDI for maintenance.

4. Residency Requirements

Legal Requirements:

Section 101(a)(12) of the Rehabilitation Act prohibits a state agency from imposing a "residence requirement...that excludes from services provided under the [state plan] any individual who is present in the State."

34 CFR 361.42(c)(1) states: "The State plan must assure that the State unit will not impose, as part of determining eligibility under this section, a duration of residence requirement that excludes from services any applicant who is present in the State."

Finding 4: MRS is not in compliance with 34 CFR 361.42(c)(1) because section 2257 of the MRS policy manual, as written, is unduly restrictive and, thus, could impose a duration of residency requirement. Section 2257 states:

While there is no minimum duration of residency, counselors may require evidence of residency. The following are considered evidence of residency:

- a current voter registration card
- a copy of an income tax return
- official correspondence from the Social Security Administration.

This policy, as written, implies that the above-listed documents are the only documents that would be acceptable for proving residency in the State. It does not provide an option for an individual to offer other evidence of residency, such as a lease agreement, bill, driver's license or State identification card, or other piece of mail. It is important to note that each of the documents identified in the policy could take time to acquire, thus imposing an unallowed and unintended duration of residency requirement. Furthermore, even if the individual possesses any of these documents, it may not be readily accessible to the individual, thus delaying receipt of VR services. For these reasons, the policy, as written, could impose a duration of residency requirement, which is prohibited by 34 CFR 361.42(c)(1).

Corrective Action 4: RSA requires that MRS revise section 2257 of the MRS policy manual to make it clear that other forms of evidence would be acceptable for proving an individual's residency in the State, in the event that a VR counselor determines such evidence is necessary. This policy change is necessary to ensure that VR applicants are not subject to a duration of residency requirement, as prohibited by section 101(a)(12) of the Rehabilitation Act and 34 CFR 361.42(c)(1).

Agency Response: MRS will resolve with policy change.

RSA Response: RSA asks that MRS submit the revised policy to RSA in order to ensure completion of the corrective action. RSA will provide the requested TA as needed.

Technical Assistance: MRS requests TA regarding how it can minimize multiple cases across state lines, including Worker's Compensation cases.

CHAPTER 3: FISCAL MANAGEMENT OF MRS VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, AND INDEPENDENT LIVING PROGRAMS

RSA reviewed MRS' fiscal management of the VR, SE and IL programs. During the review process RSA provided TA to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices, and financial management systems.

Fiscal Management

The data in the following table, taken from fiscal reports submitted by the state agencies, speak to the overall fiscal performance of the agency. The data related to matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The maintenance of effort (MOE) requirement data are taken from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which it is compared). Fiscal data related to administration, total expenditures, and administrative cost percentage are taken from the RSA-2 report.

Table 3.1
Fiscal Data for MRS for FY 2004 through FY 2008

Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	78,004,122	77,904,846	80,194,706	82,668,519	82,745,367
Required Match	21,111,662	21,084,793	21,704,539	22,374,072	22,394,871
Federal Expenditures	78,004,122	77,904,846	80,194,706	82,668,519	**68,559,431
Actual Match	21,115,263	21,091,678	21,715,754	22,399,000	22,406,701
Over (Under) Match	3,601	6,885	11,215	24,928	11,830
Carryover at 9/30 (year one)	12,282,905	13,301,701	12,601,406	18,636,452	21,780,997
Program Income	2,042,569	5,136,734	4,422,611	2,935,086	3,968,688
MOE Requirement	20,586,766	20,871,458	21,115,263	21,091,678	21,715,754
Administrative Costs	12,148,898	12,463,745	9,991,210	10,386,347	9,181,062
*Total Expenditures	94,033,722	98,407,271	102,372,072	100,241,635	102,281,044
Percent Admin Costs to Total Expenditures	12.92%	12.67%	9.76%	10.36%	8.98%

*Includes SE Program Expenditures.

** Deadline for obligating FY 2008 federal grant funds – September 30, 2009.

Explanations Applicable to the Fiscal Profile Table

Grant Amount:

The amounts shown represent the final award for each fiscal year, and reflect any adjustments for MOE penalties, reductions for grant funds voluntarily relinquished through the reallotment process, or additional grant funds received through the reallotment process.

Match (Non-Federal Expenditures):

The non-Federal share of expenditures in the VR program, other than for the construction of a facility related to a CRP, was established in the Rehabilitation Act Amendments of 1992 at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR program (34 CFR 361.60(a) and (b); 34 CFR 80.24)).

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources, and the projected amount of state appropriated funds available for match in each federal fiscal year. The accuracy of expenditure information previously reported in financial and program reports submitted to RSA was also reviewed.

Carryover:

Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). Either expending or obligating the non-federal share of program expenditures by this deadline may meet this carryover requirement.

In reviewing compliance with the carryover requirement, RSA examined documentation supporting expenditure and unliquidated obligation information previously reported to RSA to substantiate the extent to which the state was entitled to use any federal funds remaining at the end of the fiscal year for which the funds were appropriated.

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the SSA for rehabilitating SSA disability beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated CRP. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from the SSA for rehabilitating SSA disability beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies), sources and use of generated income.

Maintenance of Effort (MOE):

The 1992 amendments revised the requirements in section 111(a)(2)(B)(ii) of the Act with respect to MOE provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the MOE level is based on state expenditures under the title I State Plan from non-federal sources for the federal fiscal year two years earlier. States must meet that year's expenditure level to avoid monetary sanctions outlined in 34 CFR 361.62(a)(1). The match and MOE requirements are two separate requirements. Each must be met by the state.

In reviewing compliance with this requirement, RSA examined documentation supporting fiscal year-end and final non-federal expenditures previously reported for each grant year.

Administrative Costs:

Administrative costs means expenditures incurred in the performance of administrative functions including expenses related to program planning, development, monitoring, and evaluation. More detail related to expenditures that should be classified as administrative costs is found in VR Program regulations at 34 CFR 361.5(b)(2).

Fiscal Technical Assistance Provided to MRS During the Review Process

RSA provided the following VR, SE and IL program TA to MRS during the review process regarding:

- a synopsis of each requirement and reviewed with staff RSA's assessment of the agency's compliance with specific financial requirements – match, MOE, carryover, reallotment, program income, liquidation of outstanding obligations, and grant closeout;
- the federal requirements related to the allowable sources of non-federal funds that can be used to meet the VR program matching requirement, unallowable sources, and prohibitions against accepting outside matching funds that would revert to the donor;
- the requirements for third-party cooperative arrangements covered under 34 CFR 361.28;
- the requirement for transferring program income earned in the VR program to other formula grant programs (i.e., IL) if used to pay a portion of the cost of the salaries and fringe benefits of staff working in these programs (TAC-01-01 and TAC 01-02);
- the agency's approach to financial planning and strategies to strengthen this process by including both financial and program staff, increasing the knowledge of financial staff in program areas and activities that have financial implications, and incorporating plans to reduce large carryover balances;
- the appropriate use of services for groups of individuals with disabilities, including the establishment, development, or improvement of CRPs that address VR services identified in the CSNA;
- techniques to reconcile the RSA-2 report and clarified reporting instructions related to obligations, carryover funds, program income, administrative (including indirect) costs, public and private vendors, and the inclusion of (appropriate) certified expenditures to correct errors to previously reported financial and statistical information;

- strategies to monitor certified expenditure agreements to ensure accurate reporting and verification of match certified through cooperative arrangements with public agencies;
- accurately reporting SF-269 expenditures;
- separating expenditures for public and private vendors on the RSA-2 report;
- clarification that EDGAR states that subgranting of funds is allowed only if authorized by a particular program's statute;
- the requirement to include severance pay with reported indirect costs on the RSA-2, and that approval of the federal cognizant agency is required for utilization of federal funds associated with mass severance activities;
- program income reporting requirements and training on the use of the addition alternative that no longer requires RSA approval; and
- the need to appropriately document in-kind match for the IL Part B program to ensure an equitable valuation of volunteers' certified time and the State's responsibility to verify the accuracy of in-kind match used to meet the non-federal share of this program.

Observations of MRS about the Fiscal Management Performance of the VR, SE and IL Programs

RSA solicited input from MRS about the performance of the VR and SE programs. The MRS shared the observations below.

- When compared with other states, MI provides the lowest percentage of state appropriated VR program funds for match.
- MRS is in jeopardy of losing "cash match" from agencies also facing severe funding cuts;
- there are restrictions on in-state and out-of-state training, meetings, and travel for staff, as well as restrictions on hiring of staff.
- District managers spend a great deal of time seeking partners in order to secure money for match.
- Regardless of match restrictions, MRS continues to serve all consumers and provide the full range of VR services.

RSA discussed the observations of its stakeholders with MRS and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

VR, SE and IL Programs' Fiscal Management Performance Observations and RSA Recommendations

RSA identified the following fiscal performance observations and made recommendations to MRS about those observations. MRS responded to each of the recommendations and in those instances when RSA and MRS agreed upon a recommendation, RSA and MRS identified the TA that RSA would provide to MRS to successfully implement the recommendation.

1. Financial Planning

Observations: Based on discussions during the on-site review, RSA concluded that MRS financial staff is sufficiently knowledgeable of the necessary components of good financial

planning required to effectively manage the VR program. However, there was limited evidence that the agency has actually developed and implemented a structured, long-range financial planning process that takes into consideration the resources needed to achieve State Plan and strategic plan goals, I&E activities planned by the agency, projected federal and state financial resources and funding reductions, staffing plans, number of consumers projected to be served each fiscal year and the cost of serving these consumers, or the projected cost and financial impact of prior year commitments for IPEs on the resources available in the current fiscal year and future funding periods.

MRS is operating the VR program in an environment in which State-appropriated resources have not been sufficient to meet the match and MOE requirements applicable to this program for several years. In fact, MRS receives one of the lowest percentages of State-appropriated funds, as compared to all VR agencies nationwide. As a result, MRS has been forced to devote time and resources to identifying and obtaining other sources of non-federal match. In FY 2008, MRS reported \$21,968,265 in total non-federal expenditures for the VR program, \$10,672,072 (48.6 percent) of which was provided from outside funding sources. Furthermore, RSA observed:

- MRS' carryover balances are steadily increasing and far exceed national averages for federal funds that remain unobligated/unexpended at the end of the fiscal year for which the funds were appropriated;
- a responsibility is placed on district managers to generate a specific (targeted) amount of non-federal funds that can be used as VR program match each fiscal year, with district managers required to obtain 80 to 120 percent of their assigned goal; and
- outside funding sources are reporting to MRS that resources, previously committed to MRS for match, are also being reduced.

As a result, developing and implementing a structured, realistic, long-term financial planning process is critical to the administration of the VR program in MI.

Recommendation: RSA recommends that MRS:

- 1.1 develop and implement a multi-year financial planning process that should be updated on a regular basis and become a valuable program management tool. The plan should, at a minimum, project:
 - a) anticipated financial resources (federal and non-federal);
 - b) plans for the utilization of available resources, documents the need for additional resources, and identifies excess resources;
 - c) administrative (including indirect) expenses;
 - d) staff salaries, fringe benefits and overhead costs;
 - e) I&E activities;
 - f) State Plan goals and strategies; and
 - g) costs related to providing services to program consumers; and
- 1.2 determine an acceptable carryover level and develop a plan to reduce excessive carryover balances.

Agency Response: MRS believes these recommendations are misleading. In fact, MRS has had, and will continue to have, a multi-year financial planning process. In the last two years, plans become outdated and MRS budgets significantly change every four to six months.

MRS has developed strategies over the past 15 years to reduce reliance on external match for the VR program. It is important to recognize the Governor and MI legislature determine the state budgets and program financing, and MRS is required to support the governor's budget.

MRS has had plans to reduce excessive carryover balances for the past five years. Executive Orders and hiring freezes have precluded the achievement of these plans. We believe these recommendations should recognize and reinforce these proactive steps taken by MRS.

MRS will request clarification as needed from RSA on match associated issues and will apply written communication as applicable.

Technical Assistance: None requested at this time.

VR, SE and IL Programs' Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that MRS is required to undertake. MRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and RSA is available to provide TA to assist MRS. RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, Title VI SE funds, and Title VII IL Part B funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

1. SILC Providing Donated CIL Funds to MRS for Match

Legal Requirements:

Section 7(14) of the Rehabilitation Act establishes the Federal share for the VR program as 78.7 percent. Hence, the State must contribute 21.3 percent of non-Federal funds towards the cost of operating the VR program.

34 CFR 361.28 states:

- (a) The designated State unit may enter into a third-party cooperative arrangement for providing or administering VR services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State Unit ensures that--
 - (1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a VR focus or existing services that have been modified, adapted, expanded, or reconfigured to have a VR focus;

- (2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;
 - (3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and
 - (4) All State Plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program.
- (b) If a third party cooperative agreement does not comply with the statewideness requirement in §361.25, the State unit must obtain a waiver of statewideness, in accordance with §361.26.

34 CFR 361.60 states:

- (a) Federal share—(1) General. Except as provided in paragraphs (a)(2) of this section, the Federal share for expenditures made by the State unit under the State plan, including expenditures for the provision of vocational rehabilitation services and the administration of the State plan, is 78.7 percent.
- (b) Non-Federal share—
 - (1) General. Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under this section must be consistent with provisions of 34 CFR 80.24.
 - (2) Third party in-kind contributions. Third party in-kind contributions specified in 34 CFR 80.24(a)(2) may not be used to meet the non-Federal share under this section.
 - (3) Contributions by private entities. Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under this section if the funds are earmarked for –
 - (i) Meeting in whole or in part the State's share for establishing a community rehabilitation program or constructing a particular facility for community rehabilitation program purposes;
 - (ii) Particular geographic areas within the State for any purpose under the State plan, other than those described in paragraph (b)(3)(i) of this section, in accordance with the following criteria....
 - (iii) Any other purpose under the State plan, provided the expenditures do not benefit in any way the donor, an individual to whom the donor is related by blood or marriage or with whom the donor has a close personal relationship, or an individual, entity, or organization with whom the donor shares a financial interest.

34 CFR 361.63(c)(4) states:

Program income cannot be used to meet the non-Federal share requirement under §361.60.

34 CFR 364.5(c)(3) of the IL regulations states:

Program income may not be used to meet the non-Federal share requirement under 34 CFR 365.12(b).

Finding 1: MI CILs, MI SILC, and MRS are not in compliance with the Federal requirements regarding third-party cooperative arrangements under 34 CFR 361.28, private contributions to VR agencies for match purposes under 34 CFR 361.60(b)(3), or program income under 34 CFR 361.63(c)(4) and 34 CFR 364.5(c)(3).

MI CILs are non-profit entities that provide both VR and IL services to eligible individuals, with Titles I and VII funds respectively. As non-profit entities, MI CILs engage in fund-raising activities because they have a statutory authorization to develop additional resources to use for the IL program; therefore, CILs may use Title VII funds to engage in these activities. The MI SILC, established under Title VII of the Rehabilitation Act, has set up a separate non-profit corporate arm – as it is permitted to do -- to perform certain financial brokering duties that fall outside the scope of allowable activities for the SILC to perform under Title VII of the Rehabilitation Act. MRS engages in agreements in which the MI CILs pass some of the income they raised through this non-profit corporate arm of the MI SILC to MRS, to be used as a source of match for the Title I VR program. The funds were being passed through the SILC, at the direction of MRS, in order to meet the requirements of 34 CFR 361.28. MI SILC claims it is not performing this pass-through duty with Title VII funds. The agreements set forth the MI CILs' expectation that the VR agency, in turn, would give Title I VR funds back to the CILs so they could continue to provide VR and IL program services, as appropriate.

Under Title VII, the SILC may use Federal funds only for the duties authorized under section 705 of the Act. The SILC can perform other activities, beyond those listed in section 705, so long as those activities are funded with non-Federal money and do not impair its ability to perform duties under section 705. Nothing in Title VII prohibits the SILC (either the Council itself or its non-profit fiduciary arm) from performing the activities described above – serving as a pass-through for CIL funds to MRS to be used as match for Title I VR funds – so long as this activity is not being supported by Federal funds. Because it is not Title VII Part B funds from the DSU that the SILC is disbursing, but rather funds from CILs, this SILC activity does not infringe on the DSU's non-delegable duty to disburse Title VII Part B funds.

MRS states that it has required the SILC to serve as the pass-through for CIL funds so that it could satisfy the requirements for having a third-party cooperative arrangement with another public agency for the provision of VR services under 34 CFR 361.28 of the VR regulations. Under such an arrangement, the other public agency provides some, or all, of the match for the VR services provided and: 1) the services must be provided only to VR consumers; 2) those services must be different than the usual services provided by that other public agency; and 3) the expenditures made and the staff providing those services must be under the administrative supervision of the VR agency.

The key problem with these agreements, for purposes of the VR program, between the MI CILs, the MI SILC, and MRS, is that both the MI CILs and the non-profit fiduciary arm of the SILC performing this brokering duty are non-profit entities. They are not public agencies, as defined under 34 CFR 77.1 and required under the VR regulations at 34 CFR 361.28. Moreover, even if the SILC, as the Council itself (rather than its non-profit fiduciary arm) could be considered a public agency under 34 CFR 77.1, the SILC does not provide VR services as is required of the public cooperating agency pursuant to 34 CFR 361.28. Finally, the funds at issue under these

agreements are CIL, not SILC, money. For all of these reasons, neither the CILs nor the SILC qualify as a public agency for purposes of the third-party cooperative arrangement requirements set forth at 34 CFR 361.28.

In addition to analyzing these agreements to determine whether they satisfied the requirements for third-party cooperative arrangements pursuant to 34 CFR 361.28, RSA reviewed the VR regulations at 34 CFR 361.60 to determine whether these agreements would satisfy the general matching requirements for the VR program. Private entities are allowed to provide contributions to the State VR agency, pursuant to 34 CFR 361.60(b)(3), for helping the VR agency satisfy its matching requirements. However, under 34 CFR 361.60(b)(3)(iii), the donor, or an entity with whom the donor shares a financial interest, cannot benefit from the financial contribution. In this case, the donor is ambiguous. An argument could be made that the donor is either the CILs that are providing the actual funds, or the SILC, that actually funnels the money to the VR agency. Regardless of which entity is deemed the donor, they both potentially could benefit from the contribution. The VR agency cannot first receive a contribution from the CILs (or the SILC) and then give the money back to the CILs via vendor payments for the provision of VR services to VR consumers, unless the vendor payments were made pursuant to a grant or contract awarded under the State's regular competitive procedures, as provided for in 34 CFR 361.60(b)(3)(iii). It is RSA's understanding, however, that the agreements that have been worked out with the MI CILs, MI SILC, and MRS are not part of a competitive process and, therefore, would not comply with the requirements of 34 CFR 361.60. In order to comply with this provision, CILs would need to give the funds as an outright donation with no expected benefit in return.

Finally, the VR and IL program regulations at 34 CFR 361.63(c)(4) and 34 CFR 364.5(c)(3) prohibit program income from being used to meet the non-Federal share requirements of either the VR or IL program. In addition, under 34 CFR 80.24(b)(4), program income may not be used to satisfy a cost sharing or matching requirement, unless they are expressly permitted in the terms of the assistance agreement, which is not the case here. Although it is unknown what source of funds was used for these agreements, to the extent the funds used were directly generated by Title VII activities, they would constitute program income for CILs and would not be available to be used as match for either Title I VR or Title VII IL.

Corrective Action: MRS must:

- 1.1 cease reporting funds it receives from the CILs via the SILC for meeting its non-Federal share obligation of 21.3 percent of expenditures incurred under the VR program;
- 1.2 cease all agreements under which CILs are providing funds to the SILC, which in turn provides the funds to MRS as a source of match for the VR program;
- 1.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will not include as match for the VR program any certified expenditures from any agreement or cooperative program not meeting the requirements of 34 CFR 361.28 (third-party cooperative arrangements) or expenditures from other sources that do not comply with 34 CFR 361.60(b); and
- 1.4 complete and submit the following source of match spreadsheet entitled, "SILC/CIL Agreements," that provides summary information on the total amount of funds received by the SILC to provide match through these agreements and the total amount used by MRS for VR program match in FYs 2005 through 2009:

MRS SILC/CIL Agreements (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total funds received from SILC for match provided by CILs					
Total funds from these agreements used for match in specified FY					

Agency Response: First, MRS believes the SILC does qualify under 34 CFR 77.1 as a public “agency organization, or institution” even though the SILC may not qualify as a “public agency” for the purposes of 34 CFR 361.28. Establishment of a non-profit to serve as its fiduciary (and in the process to support the statutorily-required SILC independence from other state agencies or offices) does not change the inherent public nature of the governor-appointed SILC and the activities it carries out.

TA has been sought, received, and implemented specific to our current match practices. MRS has ceased using CIL/SILC funds for match; we are pursuing legislative transfer to access the GF/GP funds appropriated to the IL network. Written assurance will be provided as requested.

Third, MRS agrees fundraising is an appropriate activity for CILs. It is important to note that Title VII-B funds are only 13 percent of the IL funds provided through DELEG MRS.

Fourth, MRS asserts that it requires CILs and district offices to: specify acceptable Title I purposes for which the funds are to be used; customize the services to address MRS customers and needs; and perform cost accounting. MRS does not permit the CILs to use Title I funds for services that do not facilitate or support the delivery of VR services.

Finally, MRS asserts that the funds provided by the SILC for match purposes do not constitute CIL program income generated by Title VII activities. A variety of funds, other than Title VII-B funds, are available for use from the SILC and CILs.

RSA Response: The Finding is based on the fact that MRS had entered into third-party cooperative arrangements with the MI SILC and MI CILs to funnel funds to MRS for VR match purposes. In doing so, MRS failed to satisfy the requirements of 34 CFR 361.28 for the following reasons: 1) the CILs are non-profit entities, whereas 34 CFR 361.28(a) requires that the cooperating agency be a public agency; and 2) the SILC -- regardless of whether it could satisfy the definition of a public agency at 34 CFR 77.1(c) -- does not provide services to consumers as required of the cooperating agency by 34 CFR 361.28. Because the agreements do not satisfy the requirements of a third-party cooperative arrangement at 34 CFR 361.28, the funds transferred by the CILs via the SILC to MRS may not be used for match purposes under the VR program. For this reason, the Finding stands. MRS stated that it has already ceased using funds from the CILs and SILC for VR match purposes (corrective action 1.1) and that it will submit the assurance required under corrective action 1.3. MRS also must cease all agreements between MRS, the SILC, and CILs for VR match purposes and complete the chart, as required by corrective actions 1.2 and 1.4, respectively.

Technical Assistance: None requested at this time.

2. Unallowable Match Source and Expenditures -- CILs

Legal Requirements:

34 CFR 361.3 states that:

The Secretary makes payments to a State to assist in-

- (a) The costs of providing vocational rehabilitation services under the State plan; and
- (b) Administrative costs under the State plan.

34 CFR 361.60(b)(1) states:

(b) *Non-Federal share --*

- (1) *General.* Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under [the VR program] must be consistent with the provisions of 34 CFR 80.24.

34 CFR 80.24(a), in pertinent part, states:

- (a) With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:
 - (1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by others cash donations from non-Federal third parties....

OMB Circular A-87, Attachment A, Section C, in pertinent part, states:

- C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular.

- C.3.a. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding 2: MRS has entered into “State Match Collaborative Agreements” with the CILs for several years in order to use non-Federal expenditures under the IL-Part B program to meet its non-Federal share obligation of 21.3 percent of the total expenditures under the VR program. In FY 2008, MRS utilized \$105,514 in non-Federal expenditures under the IL-Part B program as match for the VR program. Based on this match, MRS then drew down Federal VR funds to pay CILs for services rendered. The “State Match Collaborative Agreements” between MRS and the CILs, which RSA reviewed, described an integrated approach to the services provided by the CILs. According to those agreements, the CILs provided some services that had an IL focus and others that had a VR focus. In addition, the budgets in the agreements pertained solely to the general operation of the CILs, including staff salaries, office space, and utilities – not for those costs pertaining solely to the provision of VR-related services.

To the extent that the non-Federal expenditures incurred for VR match purposes were really incurred for IL-related expenditures under the IL-Part B program, these agreements fail to comply with Federal VR requirements. First, 34 CFR 361.60(b)(1) requires that expenditures made under the State Plan to meet MRS’ non-Federal share under the VR program must be consistent with 34 CFR 80.24, which means the costs must be allowable under the VR program. Second, 34 CFR 361.3 requires that VR funds be used solely for providing VR services to MRS consumers and administering the VR program. In this case, MRS used non-Federal expenditures incurred, at least in some instances, for IL-related purposes under the IL-Part B program, which are not allowable VR expenditures, as match for the VR program. To the extent that the expenditures incurred were really for IL-related purposes and not for VR-related purposes, these IL expenditures would not benefit the VR program, and therefore, would not be allowable under the VR program pursuant to the Federal cost principles in OMB Circular, A-87, Attachment A, section C, and 34 CFR 80.24(a)(1). RSA will need further information, as described in the corrective action, to determine the extent of non-compliance.

Corrective Action: MRS must:

- 2.1 cease using non-Federal expenditures under the IL-Part B program, incurred for the provision of IL-related services, to meet its non-Federal share requirement under the VR program pursuant to the State Match Collaborative Agreements;
- 2.2 cease using VR funds to pay for IL-related activities pursuant to the State Match Collaborative Agreements;
- 2.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that MRS will use allowable non-Federal expenditures from allowable sources to meet its non-Federal share requirement for the VR program, as required by 34 CFR 361.60(b), and that MRS will use VR funds solely for providing VR services and administering the VR program, as required by 34 CFR 361.3; and
- 2.4 complete and submit the following source of match spreadsheet entitled, “State Match Collaborative Agreements,” that provides summary information on the total amount of funds MRS received from the CILs through these agreements and the total amount used by MRS for VR program match in FYs 2005 through 2009:

State Match Collaborative Agreements (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total funds MRS received from CILs for match					
Total funds from these agreements used for match in specified FY					
Total funds from these agreements, incurred in the provision of allowable VR services, used for match in specified FY					

Agency Response: MRS disagrees and believes this finding should be removed. MI General Fund/General Purpose (GF/GP) funds have been used for this match. CILs have been required to perform Title I associated activities with these Title I funds; and we are in compliance. Stronger direction and review of activities may be appropriate. MRS will provide the requested spreadsheet showing zero local funds were received from CILs for match and zero funds were used as match for the State Collaborative agreements.

RSA Response: Although MRS asserts that the funds at issue were used only for VR-related purposes, the “State Match Collaborative Agreements” between MRS and the CILs, which RSA reviewed, described the services provided by the CILs as being both IL- and VR-related services. Moreover, the attached budgets appeared to represent only IL-related costs. As stated in the Finding, VR funds must be used solely for the provision of VR services or the administration of the VR program (34 CFR 361.3). Title I VR funds may not be used for the provision of IL-related services. Furthermore, in order for a non-Federal expenditure to be used for match purposes under the VR program, it must be for an allowable VR expenditure (34 CFR 361.60(b)(1)). Given that the provision of IL program-related services are not allowable under the VR program, expenditures incurred for IL-related services may not be used to satisfy the VR match requirement. Therefore, to the extent that the GF/GP funds were used to pay for IL-related activities, those funds may not be used towards satisfying MRS’ match requirement under the VR program. On the other hand, MRS could use GF/GP funds expended by the CILs for the provision of Title I VR-related services towards satisfying its VR match requirement. Because MRS did not provide documentation to support its contention that the affected funds were only used for VR purposes, the Finding stands. MRS still needs to complete Corrective Actions 2.3 and 2.4 in order to ensure that VR funds are being used solely for allowable expenditures and

that non-Federal funds, used for VR match purposes, also are incurred only for allowable VR expenditures.

Technical Assistance: None requested at this time.

Legal Requirements for Findings 3 and 4:

34 CFR 361.28 states that:

- (a) The designated State unit may enter into a third-party cooperative arrangement for providing or administering [VR] services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State unit ensures that—
 - (1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a VR focus or existing services that have been modified, adapted, expanded, or reconfigured to have a [VR] focus;
 - (2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;
 - (3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and
 - (4) All State plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program.
- (b) If a third-party cooperative agreement does not comply with the statewideness requirement in §361.25, the State unit must obtain a waiver of statewideness, in accordance with §361.26.

34 CFR 361.60 states, in pertinent part, that:

- (a) Federal share—(1) General. Except as provided in paragraphs (a)(2) of this section, the Federal share for expenditures made by the State under the State plan, including expenditures for the provision of [VR] services and the administration of the State plan, is 78.7 percent....
- (b) Non-Federal share—(1) General. Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under this section must be consistent with provisions of 34 CFR 80.24.
 - (2) Third party in-kind contributions. Third party in-kind contributions specified in 34 CFR 80.24(a)(2) may not be used to meet the non-Federal share under this section.
 - (3) Contributions by private entities. Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under this section if the funds are earmarked for –
 - (i) Meeting in whole or in part the State's share for establishing a community rehabilitation program or constructing a particular facility for community rehabilitation program purposes;

- (ii) Particular geographic areas within the State for any purpose under the State plan, other than those described in paragraph (b)(3)(i) of this section...; and
- (iii) Any other purpose under the State plan, provided the expenditures do not benefit in any way the donor, an individual to whom the donor is related by blood or marriage or with whom the donor has a close personal relationship, or an individual, entity, or organization with who the donor shares a financial interest....

3. Unallowable Certified Expenditures

Finding 3: In FY 2008, MRS entered into 63 agreements, called “Certified Expenditure Agreements,” with local school districts and mental health agencies for the purpose of using expenditures incurred under these agreements for meeting its non-Federal share requirement for the VR program. The certified expenditures under these 63 agreements, totaling \$2,550,001.21, were for school or mental health agency staff, fringe benefits, supplies, and travel. These expenditures also included in-kind contributions for space and equipment of \$2,577.50. The agreements were silent as to the services to be provided by the cooperating agencies and the consumers to be served; however, in practice, RSA was told by transition staff, while onsite, that local school districts and mental health agencies provided the same services under the agreements to their usual consumers that they customarily provide in the ordinary course of business. Finally, the various agreements stated that service providers under the agreements would be “technically supervised by” MRS and would comply with all requirements governing the VR program. According to MRS staff, the agency has engaged in these and similar agreements for several years.

In order for MRS to use expenditures incurred by another public agency for purposes of satisfying its non-Federal share of 21.3 percent of the expenditures under the State Plan, the non-Federal expenditures must be incurred by the cooperating agency pursuant to a valid third-party cooperative arrangement that meets the requirements of 34 CFR 361.28. In particular, the regulations require: 1) the services be new services, not customarily provided by the agency, or expanded services with a VR focus; 2) the services be provided only to VR applicants or eligible consumers; 3) the VR agency maintain supervisory control over the expenditures and staff providing the services; and 4) all State Plan requirements be met.

The 63 agreements between MRS and local school districts or mental health agencies failed to comply with Federal requirements governing third-party cooperative arrangements for several reasons. First, as stated above, the agreements were silent as to the individuals to be served and the services to be provided under the agreements. Due to the lack of specification in the agreements, RSA learned from the staff in the school districts and mental health agencies that the school districts and mental health agencies continued to provide their customary services to their usual consumer population – not VR services to VR consumers – under these agreements, in violation of 34 CFR 361.28(a)(1) and (2). Federal regulations require that the services provided under the third-party cooperative arrangements must be new or modified VR services and must be provided only to VR consumers or applicants (34 CFR 361.28(a)(1) and (2)). Second, MRS did not supervise the expenditures incurred or the staff providing services under the agreements, as required by the language of the agreements and 34 CFR 361.28(a)(3). For example, MRS

could not verify to RSA, while onsite, the number of hours staff worked, the tasks performed, or the actual expenditures incurred under the agreements. Third, the school districts and mental health agencies failed to meet the State Plan requirements, as required by 34 CFR 361.28(a)(4), by not providing VR services to VR consumers. Expenditures incurred under the VR State Plan must be solely for the provision of VR services and the administration of the VR program (34 CFR 361.3)). For the foregoing reasons, these agreements do not comply with 34 CFR 361.28; therefore, the non-Federal expenditures incurred under these agreements (totaling more than \$2.5 million) are not eligible sources of match for MRS under the VR program.

In addition, according to the 63 agreements RSA reviewed, MRS was using in-kind contributions as a source of match. MRS' use of in-kind contributions, totaling \$2,577.50, violates 34 CFR 361.60(b)(2), which prohibits the use of third-party in-kind donations for match purposes under the VR program.

Corrective Action: MRS must:

- 3.1 cease reporting non-Federal expenditures as match funds under the VR program when those non-Federal expenditures fail to comply with 34 CFR 361.28 or 34 CFR 361.60(b);
- 3.2 amend those agreements that will be used by MRS as a source of non-Federal expenditures for meeting its non-Federal share obligation under the VR program to ensure they comply with 34 CFR 361.28;
- 3.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that: 1) all future third-party cooperative agreements, for purposes of meeting MRS' non-Federal share under the VR program, will comply with 34 CFR 361.28; and 2) MRS will not use in-kind contributions for meeting its non-Federal share under the VR program in accordance with 34 CFR 361.60(b); and
- 3.4 complete and submit the following source of match spreadsheet entitled, "Certified Expenditure Agreements," that provides summary information on the total amount of certified funds MRS received from the public agencies through these agreements and the total amount used by MRS for VR program match in FYs 2005 through 2009:

Certified Expenditure Agreements (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total certified funds MRS received from public entities for match					
Total certified funds from these agreements used for match in specified FY					

Certified Expenditure Agreements (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total certified funds from the agreements, incurred in the provision of allowable services to eligible individuals in accordance with 34 CFR 361.28, used for match in specified FY					

- 3.5 MRS must submit written documentation to support the amount of certified expenditures reported in the above chart as being allowable under the VR program. The supporting documentation must demonstrate that the expenditures were incurred during the provision of allowable VR services to MRS consumers.

Agency Response: MRS disagrees and believes this Finding should be modified or eliminated for two reasons. First, the vast majority of certified expenditures involve staff working in MRS local offices under direct supervision of senior counselors and/or managers, and providing allowable VR services. Second, the certified expenditure staffing agreements used by MRS were reviewed and determined to be acceptable by RSA Chicago Region for many years. MRS has continued to use these agreements under the belief that they satisfied the requirements of the VR program.

MRS will discontinue using in-kind contributions, such as certified space and equipment costs, for VR match purposes.

MRS has already made the changes identified for FY 2010 and believes we are in compliance with the new information provided. MRS provided a copy of the revised agreement for FY 2010 with its comment.

RSA Response: RSA has re-reviewed the 63 agreements in light of MRS' comments. While we understand that MRS claims "the vast majority of certified expenditures involve staff working in MRS local offices under direct supervision of senior counselors and/or managers, and providing allowable VR services," the problem is that neither the 63 one-page agreements -- which were ambiguous as to the supervision that MRS would provide -- nor our conversations with staff from those cooperating agencies while onsite support MRS' claim. Furthermore, even if MRS could document that it supervised the expenditures incurred and the staff providing the VR services under the agreements, as required by 34 CFR 361.28(a)(3), the agreements still failed to satisfy the other requirements for a third-party cooperative arrangement at 34 CFR

361.28(a)(1), (2), and (4). Allowable expenditures under the VR State Plan must be solely for the provision of VR services to eligible consumers or the administration of the VR program (34 CFR 361.3). Providing services to non-MRS consumers is not an allowable expenditure under the VR program. Given that MRS did not supply documentation to support its claim that the local school districts and mental health agencies provided only new or modified VR services to MRS consumers exclusively, in accordance with the requirements set forth at 34 CFR 361.28, the Finding stands and corrective actions must be taken.

In addition to re-reviewing the agreements, we also reviewed a letter written in April 1996 by the then RSA Regional Commissioner regarding the certified staffing agreements. While the letter did not express concerns about the certified agreements as they existed at that time, the letter was based on third-party cooperative arrangement legal requirements that existed in FY 1996. Those regulatory requirements changed in 1997, the year after the letter was written, and have remained virtually unchanged since then. With regard to the issue of third-party in-kind contributions discussed in that same letter, the information provided by the regional office did not accurately reflect the legal requirements that existed then and now. RSA has always maintained the position that third-party in-kind contributions are not an allowable source of match under the VR program even though they are allowable under EDGAR (see 60 Fed. Reg. 64475, 64494 (December 15, 1995) and 62 Fed. Reg. 6308, 6333 (February 11, 1997)). Although the prohibition for using third-party in-kind contributions as a VR match source was found in a different regulatory provision (34 CFR 361.24(c)) in 1996 then its current provision (34 CFR 361.60(b)(2)), the prohibition has remained virtually unchanged over the years.

RSA appreciates that MRS has already discontinued using in-kind contributions, such as certified space and equipment costs, for VR match purposes (corrective action 3.1), and has made other changes requested to bring the 63 agreements into compliance with 34 CFR 361.28 (corrective action 3.2). RSA has reviewed the revised FY 2010 agreement that MRS provided with its comments. RSA agrees that the agreement accurately restates the legal requirements of 34 CFR 361.28. However, RSA remains concerned that the agreements are still silent as to the services to be provided and whether those services are the customary services typically provided by the cooperating agency or new services with a VR focus, as required by 34 CFR 361.28(a)(1). RSA is also concerned that the agreements do not require a budget to be included. Without a budget and without an agreed-upon list of services to be provided, it will be difficult, at best, for MRS to verify whether the staff time submitted for VR match purposes was indeed spent on allowable VR services for eligible VR consumers and applicants. This new agreement, while improved from that which existed at the time of the on-site monitoring, lacks the internal controls necessary for MRS to monitor the activities, verify the expenditures, and certify that they are indeed allowable VR expenditures. For this reason, RSA is concerned that the current problems will continue. Therefore, RSA asks that MRS continue its efforts to revise the agreements, as required by corrective action 3.2, in light of the concerns RSA has expressed in this report.

MRS still must complete corrective actions 3.3, 3.4, and 3.5 outlined above, regarding the submission of an assurance, the completed chart, and submission of additional supporting documentation. In light of the fact that more facts are needed to determine the amount of certified staff expenditures that would be deemed allowable under the VR program, we have

revised the chart that MRS must complete, pursuant to corrective action 3.4. The revised chart not only asks for the amount of certified staff expenditures MRS is counting towards its VR match requirement per year, but also asks MRS to determine the amount of those expenditures that it believes were incurred in the provision of allowable services to eligible individuals in accordance with 34 CFR 361.28. MRS also must submit, pursuant to corrective action 3.5, supporting documentation as evidence of the amount of certified expenditures it reports in the chart as being allowable under the VR program. The chart also asks MRS to determine the amount of in-kind contributions it used, per fiscal year, for VR match purposes. RSA will provide the specific TA requested as needed. RSA requests that MRS be more specific about the TA it needs.

Technical Assistance: MRS requests clarification on services to applicants vs. eligible customers and allowable outreach activities.

4. Unallowable Match Source -- MCDC Agreement

Finding 4: Since FY 2005 (the period covered by the RSA on-site monitoring activities), MRS has entered into an MOU with the MCDC, pursuant to 34 CFR 361.28, to coordinate MRS, MCDC, and the Division of Deaf and Hard-of-Hearing activities with MI's disability community, business organizations, and service providers. Among its tasks under the MOU, MCDC was to: develop partnerships to enhance employment opportunities for individuals with disabilities; enhance IL resources; and improve collaboration with the business community. The MOU did not require MCDC to provide direct VR services to VR consumers. Part II of the MOU sets forth MCDC's budget for carrying out its activities under the agreement. In FY 2008, MCDC transferred \$80,310.53 in funds – 21.3 percent of the total non-Federal expenditures incurred by MCDC under the MOU – to MRS for purposes of satisfying MRS' non-Federal share obligation under the VR program. Quarterly, MRS transferred Federal VR funds to MCDC to cover the remaining \$296,734.21 in expenditures, or 78.7 percent, incurred under the MOU.

The MOU between MRS and MCDC failed to comply with Federal requirements for the VR program for several reasons. First, MCDC continued to provide its customary administrative services rather than provide new or expanded services with a VR focus, as required by 34 CFR 361.28(a)(1). Second, MCDC provided few, if any, direct services pursuant to the MOU and none were delivered exclusively to VR applicants or consumers, as required by 34 CFR 361.28(a)(2). Third, MRS did not supervise the expenditures incurred or the staff providing services under the agreements, as required by 34 CFR 361.28(a)(3). MRS could not verify the actual expenditures incurred, time worked by staff, or services actually provided under the agreement. Instead, MRS simply transferred VR funds to MCDC quarterly to pay 78.7 percent of MCDC's expenses. Finally, MCDC did not meet all State Plan requirements, as required by 34 CFR 361.28(a)(4), since it did not provide VR services to applicants or VR consumers. Expenditures incurred under the VR State Plan must be solely for the provision of VR services and the administration of the VR program (34 CFR 361.3). For the foregoing reasons, the MOU between MRS and MCDC does not comply with 34 CFR 361.28; therefore, non-Federal expenditures incurred under that agreement may not be used by MRS to meet its non-Federal share requirement under the VR program.

Corrective Action: MRS must:

- 4.1 cease reporting non-Federal expenditures incurred by MCDC as match funds under the VR program since that MOU fails to comply with 34 CFR 361.28; and
- 4.2 complete and submit the following source of match spreadsheet entitled, "MCDC MOU," that provides summary information on the total amount of funds MRS received from MCDC through these agreements and the total amount used by MRS for VR program match in FYs 2005 through 2009:

MCDC MOU (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total funds MRS received from MCDC for match					
Total funds from MCDC used for match in specified FY					
Total funds from MCDC, incurred in the provision of allowable VR services, used for match in specified FY					

- 4.3 MRS must submit written documentation to support the amount of certified expenditures reported in the above chart as being allowable under the VR program. The supporting documentation must demonstrate that the expenditures were incurred during the provision of allowable VR services to MRS consumers.

Agency Response: MRS agrees in part with some of the observations. Some services are Title I in nature, although not limited to VR customers, and there is no documentation of actual customers served. This agreement has been in place for many years, through numerous RSA reviews and State Plan approvals. MRS policy manager has supervised expenditures of this grant via quarterly program review with associated funding approval. Funds are not automatically transferred, but are managed based on the degree to which Title I outcomes specified in the agreement are achieved. MRS will meet with MCB and MCDC to determine options for any future partnership, including services to groups.

RSA Response: Because MRS did not dispute the Finding or provide documentation that shows otherwise, MRS must complete the corrective actions outlined above. RSA will provide TA on the issues MRS identified as needed. RSA requests that MRS be more specific about the TA needed.

Technical Assistance: MRS is requesting clarification of services to applicants vs. eligible customers, allowable outreach activities, and services to groups information and criteria.

5. Unallowable Establishment Activities and Unallowable Source of Match

Legal Requirements:

Section 101(a)(15) of the Rehabilitation Act, in pertinent part, states:

- (A) Assessments and Estimates. – The State plan shall –
 - (i) include the results of a comprehensive, statewide assessment, jointly conducted by the designated State unit and the State Rehabilitation Council (if the State has such a Council) every three years, describing the rehabilitation needs of individuals with disabilities residing within the State...;
 - (ii) include an assessment of the need to establish, develop, or improve community rehabilitation programs within the State;
- (C) Goals and priorities. –
 - (i) In general. – The State plan shall identify the goals and priorities of the State in carrying out the program. The goals and priorities shall be jointly developed, agreed to, and reviewed annually by the designated State unit and the State Rehabilitation Council, if the State has such a Council. Any revisions to the goals and priorities shall be jointly agreed to by the designated State unit and the Rehabilitation Council, if the State has such a Council. The State plan shall provide revisions in the goals and priorities, for any year in which the State revises the goals and priorities.
- (D) Strategies. – The State plan shall contain a description of the strategies the State will use to address the needs identified in the assessment conducted under subparagraph (A) and achieve the goals and priorities identified in subparagraph (C), including –
 - (i) the methods to be used to expand and improve services to individuals with disabilities...
 - (iii) where necessary, the plan of the State for establishing, developing, or improving community rehabilitation programs....

34 CFR 361.5(b)(9), in pertinent part, provides the following definition:

- (i) Community rehabilitation program means a program that provides directly or facilitates the provision of one or more...vocational rehabilitation services to individuals with disabilities to enable those individuals to maximize their opportunities for employment, including career advancement....
- (ii) For the purposes of this definition, the word program means an agency, organization, or institution, or unit of an agency, organization, or institution, that provides directly or facilitates the provision of vocational rehabilitation services as one of its major functions.

34 CFR 361.5(b)(17) provides the following definition:

Establishment, development, or improvement of a public or nonprofit community rehabilitation program means—

- (i) The establishment of a facility for a public or nonprofit community rehabilitation program as defined in paragraph (b)(18) of this section to provide vocational rehabilitation services to applicants or eligible individuals;
- (ii) Staffing, if necessary to establish, develop, or improve a community rehabilitation program for the purpose of providing vocational rehabilitation services to applicants or eligible individuals, for a maximum period of 4 years, with Federal financial participation available at the applicable matching rate for the following levels of staffing costs:
 - (A) 100 percent of staffing costs for the first year.
 - (B) 75 percent of staffing costs for the second year.
 - (C) 60 percent of staffing costs for the third year.
 - (D) 45 percent of staffing costs for the fourth year; and
- (iii) Other expenditures related to the establishment, development, or improvement of a community rehabilitation program that are necessary to make the program functional or increase its effectiveness in providing vocational rehabilitation services to applicants or eligible individuals, but are not ongoing operating expenses of the program.

34 CFR 361.5(b)(18), in pertinent part, provides the following definition:

Establishment of a facility for a public or nonprofit community rehabilitation program means –

- (v) The acquisition of fixed or movable equipment, including the costs of installation of the equipment, if necessary to establish, develop, or improve a community rehabilitation program.

34 CFR 361.49, in pertinent part, states that:

- (a) The designated State unit may also provide for the following vocational rehabilitation services for the benefit of groups of individuals with disabilities:
 - (1) The establishment, development, or improvement of a public or other nonprofit community rehabilitation program that is used to provide vocational rehabilitation services that promote integration and competitive employment, including, under special circumstances, the construction of a facility for a public or nonprofit community rehabilitation program. Examples of "special circumstances" include the destruction by natural disaster of the only available center serving an area or a State determination that construction is necessary in a rural area because no other public agencies or private nonprofit organizations are currently able to provide vocational rehabilitation services to individuals....
- (b) If the designated State unit provides for [VR] services to groups of individuals, it must–
 - (1) Develop and maintain written policies covering the nature and scope of each of the [VR] services it provides and the criteria under which each service is provided; and
 - (2) Maintain information to ensure the proper and efficient administration of those services in the form and detail and at the time required by the Secretary, including the types of services provided, the costs of those services, and, to the extent feasible, the numbers of individuals benefiting from those services.

34 CFR 361.29, in pertinent part, states:

- (a) Comprehensive statewide assessment. (1) The State plan must include –
 - (i) The results of a comprehensive statewide assessment, jointly conducted by the designated State unit and the State Rehabilitation Council (if the State has such a Council), every 3 years describing the rehabilitation needs of individuals with disabilities residing within the State...; and
 - (ii) An assessment of the need to establish, develop, or improve community rehabilitation programs within the State.
- (c) Goals and priorities –
 - (1) In general. The State plan must identify the goals and priorities of the State in carrying out the program.
 - (2) Council. The goals and priorities must be jointly developed, agreed to, reviewed annually, and, as necessary, revised by the designated State unit and the State Rehabilitation Council, if the State unit has a Council.
- (d) Strategies. The State plan must describe the strategies the State will use to address the needs identified in the assessment conducted under paragraph (a) of this section and achieve the goals and priorities identified in paragraph (c) of this section, including –
 - (1) The methods to be used to expand and improve services to individuals with disabilities...;
 - (3) As applicable, the plan of the State for establishing, developing, or improving community rehabilitation programs....

34 CFR 361.60(b), in pertinent part, states that:

- (b) Non-Federal share—(1) General. Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under this section must be consistent with provisions of 34 CFR 80.24.
- (2) Third party in-kind contributions. Third party in-kind contributions specified in 34 CFR 80.24(a)(2) may not be used to meet the non-Federal share under this section.
- (3) Contributions by private entities. Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under this section if the funds are earmarked for –
 - (i) Meeting in whole or in part the State's share for establishing a community rehabilitation program or constructing a particular facility for community rehabilitation program purposes....

OMB Circular A-87, Attachment A (2 CFR Part 225, Appendix A), Section C, in pertinent part, states:

- C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular.

- C.3.a. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding 5: MRS used VR funds, presumably under the establishment authority of section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1), to expand and enhance the provision of VR services by CRPs at the local level. In turn, MRS used non-Federal expenditures incurred by the CRPs, \$142, 286 in FY 2008, towards meeting MRS' non-Federal share obligation under the VR program. Upon review of these activities during on-site monitoring, it appears that MRS has failed to comply with the requirements necessary to engage in "establishment" activities (the establishment, development, or improvement of a CRP).

A CRP, for purposes of the VR program, is an organization or a unit within an organization that provides or facilitates the provision of VR services (34 CFR 361.5(b)(9)). Although section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1) authorize MRS to establish, develop, or improve CRPs for the purpose of providing VR services to MRS consumers, section 101(a)(15) of the Rehabilitation Act and 34 CFR 361.29 require that MRS engage in substantial planning prior to starting any establishment activities. MRS, together with its SRC, must conduct a CSNA of VR needs in the State every three years and include the results of that needs assessment in its State Plan (section 101(a)(15)(A) of the Rehabilitation Act and 34 CFR 361.29(a)). The assessment must include whether there is a need for MRS to establish, develop, or improve a CRP (section 101(a)(15)(A)(ii) of the Rehabilitation Act and 34 CFR 361.29(a)(1)(ii)). MRS must use the results from its triennial CSNA to develop goals and priorities for carrying out its VR program (section 101(a)(15)(C) of the Rehabilitation Act and 34 CFR 361.29(c)). MRS must develop strategies for how it will address the identified VR needs within the State and achieve its goals and priorities, including the establishment, development, or improvement of a CRP (section 101(a)(15)(D)(iii) of the Rehabilitation Act and 34 CFR 361.29(d)(3)). MRS' FY 2008 State Plan did not contain information from the triennial CSNA that identified there was a need for MRS to establish, develop, or improve a CRP, nor did it outline goals and priorities or strategies that included the establishment, development, or improvement of a CRP as required by section 101(a)(15) of the Rehabilitation Act and 34 CFR 361.29.

MRS also must develop and maintain written policies covering the nature and scope of VR services that will be provided to groups of individuals with disabilities, including those involving the establishment, development, or improvement of CRPs (34 CFR 361.49(b)(1)). These policies also must set forth the criteria under which these services will be provided (*Id.*). The policies that RSA reviewed did not meet these requirements.

RSA's review indicates that MRS failed to engage in these initial required steps – determining whether there is a need to establish, develop, or improve a CRP; developing goals, priorities and strategies to meet those needs; and developing policies that outline the nature and scope of these services as well as the criteria under which they will be provided. Without satisfying these requirements, MRS could not use VR funds under section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1) to establish, develop, or improve a CRP. RSA will need further information before determining the extent of non-compliance with this issue.

Even if MRS had met these requirements, RSA also has concerns with the specific “establishment” activities of MRS, as follows:

Peckham, Inc. – Hearing Aid Loop System:

MRS purchased and installed a hearing aid loop system for Peckham, Inc. (Peckham), a non-profit corporation whose mission is to hire individuals with disabilities. Although Peckham is a CRP, only a small portion of its staff, facilities, and resources are dedicated to providing VR services (e.g., career counseling and job placement) to MRS’ eligible VR consumers. In fact, Peckham spends only about \$3 million of its \$75 million annual budget providing VR services to MRS consumers and applicants. According to the information RSA learned onsite, MRS installed the hearing aid loop system in the part of the Peckham complex used by Peckham employees, not MRS consumers utilizing the CRP services offered at Peckham. MRS paid 78.7 percent of the costs for the loop system with Title I VR funds; Peckham paid the remaining 21.3 percent with its own funds.

If RSA finds that MRS satisfied the initial planning requirements (described above), MRS may use Title I VR funds to establish, develop, or improve CRPs to provide VR services to MRS consumers (section 103(b)(2) of the Rehabilitation Act and 34 CFR 361.49(a)(1)). Under the VR program, MRS may purchase and install equipment, such as a hearing aid loop system, in the CRP to improve services to eligible MRS consumers receiving VR services from that CRP (34 CFR 361.49(a)(1), 34 CFR 361.5(b)(17)(i), and 34 CFR 361.5(b)(18)(v)). However, it is RSA’s understanding that MRS installed the hearing aid loop system in a part of the Peckham complex rarely used by MRS’ VR consumers. Therefore, the Federal VR expenditures incurred by MRS for the purchase and installation of the hearing aid loop system would be allowable only to the extent that MRS VR consumers benefit from that expenditure. Under the cost principles in OMB Circular A-87, Attachment A, section C.1., a cost is allowable if it is reasonable, necessary, *and allocable* to a Federal award. Under section C.3.a. of the cost principles, a cost is allocable to a Federal award “if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.”

Since it appears some MRS consumers may benefit, the amount that would be allocable to the VR program is that which is commensurate with the benefit that MRS consumers would receive from that hearing aid loop system while receiving VR services at Peckham. Assuming MRS satisfied the requirements for “establishment” activities, RSA would then need further information to determine the portion, if any, of the hearing aid loop system expenditures that would be allowable under the VR program.

The VR regulations also permit MRS to accept contributions from private entities for satisfying its non-Federal share of expenditures made under the State Plan, in a few narrow circumstances, only one of which is applicable here. MRS may count expenditures from private entities towards satisfying its VR match requirements if those expenditures are earmarked for meeting the State’s share of establishing, developing, or improving a CRP (34 CFR 361.60(b)(3)(i)). As indicated above, the purchase of the hearing aid loop system for a CRP would ordinarily be an allowable expenditure under the “establishment” authority and, as such, could be matched with private funds to help MRS meet its non-Federal share obligation under the VR program. In this case, Peckham, as a whole, is not primarily in the business of providing services to MRS’ VR

consumers; only a small portion of its staff, facilities, and resources are used to provide VR services to MRS' VR consumers. Therefore, as indicated above, assuming this is found to be an allowable expenditure, Federal VR funds may be expended for the hearing aid loop system only to the extent that MRS' VR consumers benefit from that expenditure at Peckham. For example, if 10 percent of Peckham's clientele are MRS VR consumers receiving VR services at Peckham, then 10 percent of the costs for the hearing aid loop system would be allowable under the VR program pursuant to 34 CFR 361.49(a)(1), 34 CFR 361.5(b)(17)(i), 34 CFR 361.5(b)(18)(v), and OMB Circular A-87, Attachment A, Section C.1. and C.3.a., and, as such, Peckham could provide only 21.3 percent of the match of that 10 percent allowable cost pursuant to 34 CFR 361.60(b)(3)(i). Accordingly, MRS would be able to accept non-Federal funds from Peckham, pursuant to 34 CFR 361.60(b)(3)(i) for purposes of meeting its non-Federal share obligation under the VR program, only to the extent those non-Federal funds equal 21.3 percent of the allowable VR expenditure portion of the hearing aid loop system. As stated above, assuming this is found to be an allowable expenditure, RSA will need further information to determine what portion, if any, of the expenditure would be allowable under the VR program, before it can determine the allowable match, if any, for the expenditure.

Peckham – E-Mentoring Program:

In FY 2008, MRS paid a percentage of the administrative expenditures incurred by Peckham for the implementation of an E-Mentoring program for transition-age youth. According to the MRS District Manager during RSA's on-site monitoring, only 2 (11.1 percent) of the 18 students in the program were MRS consumers; the remaining 16 individuals were not connected to MRS' VR program.

Federal regulations at 34 CFR 361.5(b)(17)(ii) define the "establishment, development, or improvement of a public or non-profit [CRP]" to include, for up to four years, the staffing expenditures incurred during the establishment of a CRP for the provision of VR services to MRS' VR consumers and applicants. While Peckham is a CRP, only 11.1 percent of the youth engaged in the E-Mentoring CRP program are MRS VR consumers. Therefore, assuming this is an allowable establishment activity, only 11.1 percent of the administrative costs incurred for this E-Mentoring program would be allowable expenditures under the VR program pursuant to 34 CFR 361.49(a)(1), 34 CFR 361.5(b)(17)(ii), and OMB Circular A-87, Attachment A, section C. Under the cost principles at section C.1.b., a cost is allowable if it is reasonable, necessary, *and allocable* to a Federal award. Under section C.3.a. of the cost principles, a cost is allocable to a Federal award "if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received."

In this case, because 2 MRS consumers would benefit, the amount allocable to the VR program is 11.1 percent which is commensurate with the benefit that MRS consumers would receive from that program at Peckham. The MRS Federal share of those costs, pursuant to 34 CFR 361.5(b)(17)(ii), and any allowed matching funds from Peckham, pursuant to 34 CFR 361.60(b)(3)(i), would be calculated on the basis of that 11.1 percent allowable cost amount, as applied to the level of staffing costs for up to four years as set forth at 34 CFR 361.5(b)(17)(ii). The remaining expenditures incurred in this program would not be allowable expenditures under

the VR program and could not be used by MRS for satisfying its non-Federal share under the VR program.

Corrective Action 5: MRS must:

- 5.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that MRS will:
 - a. use only allowable non-Federal expenditures for satisfying the non-Federal share requirements of the VR program, as required by 34 CFR 361.60(b);
 - b. use non-Federal funds provided by the CRPs for satisfying the VR match requirements only to the extent that those non-Federal funds comply with 34 CFR 361.60(b)(3);
 - c. comply with the initial planning requirements, set forth at section 101(a)(15) of the Rehabilitation Act, 34 CFR 361.29, and 34 CFR 361.49(b), prior to engaging in any activities to establish, develop, or improve a CRP;
 - d. ensure that all activities to establish, develop, or improve a CRP comply with the requirements of 34 CFR 361.49(a)(1) and 34 CFR 361.5(b)(17) and (18);
 - e. comply with the requirements of 34 CFR 361.49 when providing services to groups of individuals with disabilities; and
 - f. use competitive procurement processes to award contracts – not grants – to CRPs and other vendors; and
- 5.2 develop and implement policies and procedures, if not already done, as required by 34 CFR 361.49(b); submit the policies and procedures to RSA to ensure completion of this corrective action.

Agency Response: MRS has operated our Community Rehabilitation Organization (CRO) grant program in a manner we believed was considered acceptable by RSA Chicago Region for many years; MRS has not changed practices. MRS, however, understands interpretations may have changed. MRS is reviewing the activities conducted under the term “CRO Grants” and will determine how these activities meet the new information provided under the RSA 107 review. As we review federal rules and regulations, we may determine the activity is better defined as a “contract” and/or “services to groups.” RSA should not assume these activities are all done under the establishment authority.

MRS recognizes RSA’s identification of match issues associated with the Peckham CRO activities, and will request assistance from RSA for any future item that may be similar in nature. MRS has met with Peckham, to assure the information associated with the project is accurate. MRS and Peckham collaborate extensively on services and programs for Title I-eligible persons, thus making Peckham a significant partner for MRS. The following information should be considered with regard to the issues raised pertaining to the hearing aid loop system:

1. Peckham’s sole purpose is vocational training, placement, and employment for persons with disabilities, including MRS consumers.
2. Over the last three fiscal years, 558 MRS customers received more than 2591 services at Peckham.
3. Peckham currently employs more than 500 former MRS customers.
4. Forty-three Peckham employees wear hearing aids and need the loop for continued employment; 28 of these individuals work at the new facility that houses the loop system; the remaining 15 individuals are at the new facility frequently for trainings and other

- meetings. (Persons with hearing as a secondary disability have not been included in this number.) The new facility employs 1,124 persons.
5. The hearing loop is in the conference area, where every new employee orientation, most employee and staff meetings, and call center trainings occur; approximately 250 people use the conference area each week. All persons, including all MRS customers, hired at Peckham receive benefits information, orientation, and training in the conference center.
 6. Approximately 280 unduplicated MRS VR customers have used the loop at Peckham since the building opened. The loop is used repeatedly by many of these persons because special events, such as disability council meetings, recognition ceremonies, and short-term workshops, occur at the conference center.
 7. MRS VR customers hired by Peckham continue to receive Title I VR services for at least 90 days (during which time they retain status as MRS VR customers). These individuals regularly receive skills training and attend meetings in the conference room. The Lansing MRS Site Manager is hearing-impaired and uses loop services whenever he is at Peckham, which is at least once a week since he supervises an MRS VR counselor officed at Peckham.
 8. The full Universal Design elements within Peckham cost \$2,225,000, of which \$276,567 represented the cost of the hearing loop system. MRS paid 78.7 percent of the hearing loop system cost (\$217,658) and Peckham paid 21.3 percent (\$58,909). Peckham's original procurement proposal requested \$450,000 to cover the hearing loop system, elevators, and evacuation equipment. MRS agreed to issue funds for the hearing loop system only.
 9. Peckham has an annual budget of approximately \$139 million, with only a small fraction coming from MRS. In FY 2008, Peckham received a total of \$651,646 from MRS -- \$217,658 for the hearing loop system; \$371,992 in Title I VR funds; and \$61,996 in title VI-B Supported Employment funds. Except for the hearing loop funds, which were awarded to Peckham via a separate competitive procurement process, the Title I VR funds paid to Peckham were done so via authorizations for customer services. Customer service authorizations are all issued for individual customers in adherence with MRS policy by MRS VR counselors via the AWARE CMS, and are approved and paid by MRS VR counselors.

With regard to Peckham's E-Mentoring program, MRS disagrees with the figures contained in the finding and believes they should be corrected. According to our records, 64 individuals participated in this program and all were referred to MRS. Half of these individuals (32) were found eligible for MRS VR services and became consumers. MRS is supplying a spreadsheet documenting these 64 individuals. The funds awarded to Peckham for the E-Mentoring program were done via MI's competitive procurement process. The E-Mentoring grant was acknowledged by CARF as one of the most innovative and promising practices they had seen. It was an innovative approach to do outreach to an underserved population.

In accordance with our State Plan, MRS issued a Request for Applications (RFA) to award Title I funds to CRPs, as part of our annual cycle. For FY 2010, MRS has 16 CRP partners who participated in this statewide competition and are anxiously awaiting the results. In addition, we have 30 CRPs who have followed our state competitive grant processes for innovation, and these grants will extend VR services to thousands of customers in need of them.

In keeping with instructions from RSA, MRS issued RFAs to award VR ARRA funds to CRPs, in response to the President's call for reinvestment and recovery. MRS has 40 CRP partners who responded to this competitive solicitation and are anxiously awaiting the results, so they, too, can contribute to the recovery. These grants will extend VR services to thousands of customers in need of them. The VR ARRA funds must be obligated by September 30, 2011.

The findings use terms such as "presumably" and "appears;" MRS disagrees in part. MRS has ceased requiring match for any of these activities. However, given this agency's long history in administering competitive CRP grants, its current obligation to quickly distribute VR ARRA funds, its commitments to CRP partners, and its receipt of a draft report with equivocal findings; MRS considers it untenable to cease these services to thousands of people with disabilities. MRS recognizes the need to proceed to award its CRP grants under Title I and the ARRA authorities during FY 2010, consistent with state financial procedures. If, under further review and discussion with RSA, changes are determined to be necessary, MRS will make the necessary changes and be fully aligned with RSA instructions.

RSA Response: RSA appreciates the time and effort that MRS put forth in providing the additional information and supporting documentation that we requested. As a result of the new information provided, RSA is rescinding its original finding and original corrective actions, for the reasons described in detail below. The revised corrective actions, as outlined above, require MRS to submit certain assurances and develop and implement policies and procedures, as required by 34 CFR 361.49(b), if MRS does not already have these policies in place. MRS must submit the policies and procedures to RSA to ensure completion of the corrective action.

RSA based its original finding on the premise that MRS was engaging in the Peckham activities pursuant to the legal authority to establish, develop, or improve a CRP because MRS, itself, described these activities as "establishment" activities to RSA during on-site monitoring. Additionally, MRS provided RSA with documentation regarding the Peckham awards in folders marked "Establishment Grants." Given that information, RSA analyzed the information provided to determine whether MRS had complied with all of the necessary requirements pertaining to the establishment, development, or improvement of a CRP when it funded the hearing loop system and the E-Mentoring program at Peckham. We found that MRS did not satisfy all of the initial pre-planning requirements to engage in activities that establish, develop, or improve a CRP, as required by section 101(a)(15) of the Rehabilitation Act, and 34 CFR 361.29, and 34 CFR 361.49(b). Our review of the FY 2008 VR State Plan revealed mention of Requests for Proposals being issued to improve the provision of services. However, there was no detail about the findings of the triennial CSNA, nor any mention of any specific needs that needed to be met with the establishment, development, or improvement of a CRP. There also was no mention of the specific services or programs to be funded with the VR funds under this authority. One of the key purposes of these pre-planning requirements is to ensure that MRS thoughtfully considers the best use of its Federal VR funds in order to serve its consumers in the most effective manner. Without completing this required pre-planning process, MRS was not authorized to engage in activities to establish, develop, or improve CRPs. Once we finished that initial analysis, we looked at the specific activities that were funded – the hearing loop system

and the E-Mentoring program at Peckham – to determine if they were allowable. As we indicated in the initial finding, we requested additional information to make that determination.

Upon review of the additional information, supporting documentation, and comments submitted by MRS about the hearing loop system and the E-Mentoring program at Peckham, it became obvious that MRS was no longer certain which authority it had used to engage in these activities. MRS indicated that both of these activities may have been done pursuant to the general services to groups authority, set forth at section 103(b) of the Rehabilitation Act and 34 CFR 361.49, not the more specific authority to establish, develop, or improve a CRP. In light of this information, RSA re-analyzed all of the facts presented to determine whether the hearing loop system and E-Mentoring program activities, and the use of those non-Federal expenditures for the satisfaction of VR match obligation, satisfied the relevant requirements for the provision of VR services to groups.

In general, to satisfy the requirement for services to groups, the service must be a VR service that benefits a group of individuals with disabilities (34 CFR 361.49(a)). One particular service to groups that is authorized is telecommunications systems that have the potential for substantially improving VR service delivery methods and developing appropriate programming to meet the particular needs of individuals with disabilities, including telephone, television, video description services, satellite, tactile-vibratory devices, and similar systems as appropriate (34 CFR 361.49(a)(2)). MRS also may provide special services to provide information through accessible means to individuals who are deaf or hearing-impaired (34 CFR 361.49(a)(3)). It is RSA's determination that the hearing loop system at Peckham would fit under either of these services to groups provisions and, thus, would be allowable expenditures under the VR program. The hearing loop system is designed to improve access to information and the receipt of VR services provided at Peckham to MRS consumers and others who are deaf or hearing-impaired. This system is permanently installed and will be available for use for all MRS consumers, now and in the future, who are deaf or hearing-impaired and who are receiving VR services or achieve an employment outcome at Peckham. MRS provided documentation that MRS consumers are regular users of the conference center that contains the loop and that an MRS supervisor who is hearing-impaired regularly conducts meetings there with his staff, all of whom can benefit from the hearing loop system.

RSA next re-analyzed the facts to determine whether, assuming the hearing loop system was procured pursuant to 34 CFR 361.49(a)(2) or (3), MRS could claim Peckham's non-Federal funds towards the satisfaction of its VR match obligation. In order to be used towards meeting the VR match requirement, the non-Federal funds must be expended for allowable VR expenditures (34 CFR 361.60(b)(1)). While we have established that the hearing loop system was an allowable VR activity, as described above, the regulations impose specific requirements that must be met for financial contributions from a private entity to be used for match purposes under the VR program. In particular, the private entity's contribution for match purposes must be deposited into MRS' account (34 CFR 361.60(b)(3)). RSA has had no reason to doubt MRS' representation that this is true of Peckham's contribution. Furthermore, the contribution could be used for any purpose, so long as the contributor did not benefit from the contribution of those non-Federal funds (34 CFR 361.60(b)(3)(iii)). The contributor does not benefit from the contribution if the contributor receives funds from MRS through its regular competitive

procurement process (*Id.*). In this case, MRS provided RSA with documentation to demonstrate that the award of approximately \$200,000 for the purchase and installation of the hearing loop system was made to Peckham pursuant to MRS' competitive procurement process. Given this new information, RSA has determined that the nearly \$50,000 in non-Federal funds provided by Peckham for the purchase and installation of the hearing loop system are an allowable source of match for the VR program.

We next re-analyzed the E-Mentoring program in the same way. In addition to the loop system satisfying the services to groups requirements under section 103(b) of the Rehabilitation Act and 34 CFR 361.49(a), MRS also may provide any other services that promise to contribute substantially to the rehabilitation of a group of individuals but are not directly related to any one individual's approved IPE (34 CFR 361.49(a)(6)). According to the information that MRS submitted subsequent to the on-site visit, MRS believed that this service would substantially benefit the rehabilitation needs of youths with disabilities transitioning from school to post-school activities, such as achieving an employment outcome. MRS also indicated in its submission that the entity responsible for the accreditation of CRPs agreed with its assessment of the value of the E-Mentoring program. MRS supplied additional documentation that corrected the information on which RSA had previously relied. In particular, 64 individuals have participated in the E-Mentoring program and all were either MRS consumers or MRS applicants. For all of these reasons, RSA has determined that the E-Mentoring program at Peckham is an allowable VR activity pursuant to 34 CFR 361.49(a)(6)). MRS also assured RSA, in the additional information it provided, that MRS awarded the funds to Peckham to operate the E-Mentoring program via MI's regular competitive procurement process. Thus, the non-Federal funds provided by Peckham for match purposes for this program are allowable pursuant to 34 CFR 361.60(b)(3)(iii)).

For all the reasons described herein and in accordance with the facts as we now understand, RSA has determined that both the hearing loop system and the E-Mentoring program funded by MRS at Peckham are allowable VR activities and that the non-Federal funds provided by Peckham for those activities are an allowable source of match for the VR program. Although the Finding has been resolved, RSA is retaining the original finding, but not the original corrective action, in the report as TA to MRS on interpreting the requirements applicable to activities intended to establish, develop, or improve a CRP, as opposed to those designed to serve groups of individuals more generally. The report also includes, as TA, the discussion regarding when private contributions may be allowable as a source of match under the VR program.

Finally, RSA seeks to clarify with MRS how it awards funds to Peckham. Throughout its comments and in the additional documentation provided, MRS indicated that it awards funds to Peckham and other CRPs through a competitive "grant" process. RSA is unclear as to whether the term "grant," in the context of MI's competitive procurement process, is synonymous with "contract," or whether MRS is indeed subgranting funds, as that term is defined at 34 CFR 80.3. Neither Title I of the Rehabilitation Act nor the VR regulations gives MRS the authority to subgrant its Federal VR funds. Without this specific program authority, MRS may not rely on subgranting provisions in EDGAR (34 CFR 76.50(b)(2)). To ensure that MRS follows allowable procedures for the use of its VR funds, RSA has added to the corrective actions outlined above an assurance that MRS will not subgrant its VR funds (corrective action 5.1(f)). Competitive

awards must be made via contracts. RSA will provide more specific TA to MRS on this issue as needed.

Technical Assistance: MRS will need clarification of grant/contract procedures and reconciliation with the state of MI financial procedures. MRS may request other TA as we work with RSA to resolve these issues.

VR, SE and IL Fiscal Issues for Further Review

RSA plans on conducting further review of the following VR, SE and IL fiscal issues:

- compliance with VR program match, MOE, and carryover requirements applicable to FYs 2005 through 2009; and
- review documentation requested from MRS to determine compliance with the requirements of the establishment authority.

CHAPTER 4: MCB VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

The following table provides data on MCB's VR and SE programs performance in key areas from FY 2003 through FY 2007.

Table 4.1
MCB Program Highlights for VR and SE Program for FY 2003 through FY 2007

Program Highlights	2003	2004	2005	2006	2007
Total funds expended on VR and SE	\$14,229,557	\$15,448,367	\$16,237,219	\$17,163,830	\$17,503,634
Individuals whose cases were closed with employment outcomes	283	253	295	272	285
Individuals whose cases were closed without employment outcomes	179	230	188	184	146
Total number of individuals whose cases were closed after receiving services	462	483	483	456	431
Employment rate	61.26%	52.38%	61.08%	59.65%	66.13%
Individuals whose cases were closed with SE outcomes	20	12	15	12	20
New applicants per million state population	63.59	59.25	60.38	28.22	51.84
Average cost per employment outcome	\$6,645.83	\$7,910.60	\$6,172.53	\$9,482.62	\$6,567.46
Average cost per unsuccessful employment outcome	\$3,952.74	\$4,272.13	\$5,077.09	\$4,051.48	\$5,581.54
Average hourly earnings for competitive employment outcomes	\$11.37	\$12.50	\$11.97	\$12.51	\$12.98
Average state hourly earnings	\$18.91	\$19.24	\$19.81	\$20.16	\$20.72
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	60.13%	64.97%	60.42%	62.05%	62.64%
Average hours worked per week for competitive employment outcomes	30.82	29.59	31.4	30.62	29.75
Percent of transition age served to total served	14.94%	17.60%	13.46%	16.89%	13.23%
Employment rate for transition population served	42.03%	41.18%	44.62%	53.25%	49.12%
Average time between application and closure (in months) for individuals with competitive employment outcomes	31.9	35.1	33.5	36	34.2
Performance on Standard 1	Met	Met	Met	Met	Met
Performance on Standard 2	Met	Met	Met	Met	Met

VR and SE Service Delivery

MCB is an independent commission led by five commissioners from various geographic areas of the state who are appointed by the governor for three-year terms. MCB is comprised of eight regional offices and a training center based in Kalamazoo. Services are provided by staff from these offices to individuals and businesses throughout the state. At the time of the review, MCB was not operating on an OOS.

From FY 2003 to FY 2007, the total number of VR applicants decreased by 25.4 percent while the state population remained stable. There has been an increasing trend of VR consumers served having a job at application, from 18.8 percent in FY 2003 to 24.6 percent in FY 2007. During the same period, the homemaker and unpaid family worker category has been experiencing a decreasing trend, with 43.5 percent in FY 2003 to 36.1 percent in FY 2007. However, this percentage is still more than twice higher than the median percent of blind agencies nationwide (14.5 percent, FY 2007).

MCB operates MCBTC based in Kalamazoo, MI. Beyond helping blind and visually-impaired individuals to acquire the skills, strategies and attitudes to overcome challenges presented by blindness, the center recently integrated a career focus program to help better prepare individuals for the workforce. In FY 2008, 208 program participants received services and stayed an average of five weeks at the center. MCBTC established outreach efforts throughout the state with the mini-adjustment program, a week-long program that occurs four times a year, to help individuals adjust to blindness. In FY 2008, 29 VR and 59 IL customers participated and MCBTC received an additional \$100,000 to expand this program in FY 2009. MCBTC collaborates with MCTI in implementing this program.

MCB is seeking to expand its outreach to transition-age youths. MCB developed cooperative agreements with ISDs, and has continued its ten summer youth programs that are held throughout the state for blind and visually-impaired students. Transition-age youths also participate in the one-day employment readiness seminar, to help build employability skills, held on one day of the week long mini-adjustment program.

MCB's policy on SE targets individuals with the most significant disabilities who must have three or more functional limitations to be considered eligible. MCB successfully closed 20 individuals who exited the VR program with an SE employment status during FY 2007, representing 7.1 percent of MCB's employment outcomes. MCB has limited extended service providers available and uses natural supports, including the "buddy system," whenever feasible.

Personnel

In FY 2008, MCB had a total of 95 FTEs with 12 administrative staff, 36 VR counselors, 39 support staff, and eight individuals categorized within other staff category. MCB has been challenged to fill highly specialized positions. The staff shortage has made it necessary for staff to fill multiple roles in different programmatic areas. In order to maintain level of services,

MCB contracts with nine rehabilitation teachers in Gaylord (1), Escanada (1), Grand Rapids (1), Saginaw (3), Detroit (2), and Flint (1), to provide services to consumers throughout the state. In the personnel classification system rehabilitation teachers are a higher pay grade than VR counselors. This has resulted in pay disparity issues between MCB rehabilitation teachers and VR counselors.

MCB does not require VR counselors to hold the CRC certification, but be CRC-eligible, involving completion of graduate coursework. All new VR counselors participate in a four-week orientation, which includes a two-week stay at the MCBTC. The training of new staff is also carried out by the local manager and a designated senior VR counselor who is assigned as a mentor for the new hire.

Data Management

MCB has been using a tailored commercial data management system for its data and service records management since 1993. The latest version is System 7. It is a stand-alone, form-driven system that also has the capacity to automatically generate many reports. MCB data are stored in a vendor's server instead of in-house and are backed up daily. Maintenance and on-site services are provided by an IT personnel who is not a MCB employee.

The system has five modules serving the VR, IL, SE, Transition Low Vision, and OIB service records, respectively. IL and OIB modules operate similarly to that of VR. TLV and MCBTC modules were still in the development stage at the time of the on-site review.

The system's database is web-based, and, therefore, provides easy access for agency staff. Each consumer profile is linked to consumer's service vendors and costs. The data accuracy check includes flags for data element control. MCB will add a tickler function in its next version to remind counselors of the key dates. Currently, the system has the capacity to generate many standardized reports and can be exported into multiple formats such as Word, Excel, and PDF. Managers and administrators use the caseload productivity report for their monthly management meeting. All managers and counselors can run their own queries as well.

The system vendor provides training to the MCB staff whenever there is an upgrade between two systems, which usually is two days. Training of new and existing counselors and supervisors on daily operation is provided by the IT personnel. Supervisors of new counselors provide training on application details.

Quality Assurance

Although MCB has a QA system, the processes of that system are not integrated sufficiently to evaluate program or fiscal performance effectively or efficiently. As a result, MCB cannot assess service delivery provided internally, including services provided at MCBTC, or externally through the CRPs, independent contractors, and "cash match" agreements. MCB relies almost exclusively on anecdotal information received from discussions with consumers and staff rather than balancing this input with quantitative data.

Planning

In 2008, MCB updated its CSNA through its collaboration with PE at MSU. For strategic planning, MCB established four teams to achieve the agency's goals and priorities that integrate feedback among staff, community partners, stakeholders, and consumers with planning and policy development.

Succession planning for staff is guided through the Vision 20/20 initiative, which gives employees an opportunity to demonstrate leadership by working closely with managers, supervisors, stakeholders, and consumers to implement new ideas into action.

VR and SE Programs Technical Assistance Provided to MCB During the Review Process

RSA provided TA to MCB's VR and SE programs during the review process regarding:

- the appropriate use of I&E including activities that have a direct link to employment or support the SRC and SILC;
- MCB's policy of three functional limitations to define the minimum standard for a consumer to participate in SE;
- the financial needs policy that requires individuals seeking post-secondary education maintenance assistance to apply for SSI/SSDI;
- RSA-722 requirements with respect to MCB's inaccurate reporting of BEP arbitrations going before an ALJ;
- MCB's practice of soliciting public input delaying the development and implementation of policy;
- the development of a homemaker closure policy; and

Observations of MCB and Its Stakeholders about the Performance of the VR and SE Programs

RSA solicited input from MCB and a wide range of its stakeholders about the performance of the VR and SE programs. The MCB and its stakeholders shared their observations, as outlined below.

- MCB's portion of MI's federal appropriation for the VR program has increased from 12 percent to 15 percent.
- Since 2004, MCB has developed "cash match" agreements to secure additional funding to serve individuals in the program.
- A significant number of new MCB staff members lack expertise and are pursuing training in order to meet the Comprehensive System of Personnel Development (CSPD) standard.
- MCB has difficulty hiring qualified individuals that meet the CSPD requirements for the VR counselor and rehabilitation teacher positions.
- MCB is trying to resolve pay disparities between MCB VR counselors, rehabilitation teachers, and the private sector.
- MCB has developed "cash match" agreements with providers to better serve transition-age youths under the age of 18 who do not meet MCTI's minimum age requirement.

- MCB does not have a mechanism in place to evaluate the “cash match” agreements state-wide.
- MCB has been working with ophthalmology and optometry associations to increase outreach.
- MCB has collaborative relationships with MRS and the SILC that yield positive results.
- The Michigan Works! Service Center in Kalamazoo has a MCB training site that results in more blind or visually-impaired individuals receiving services there than at other centers.
- Individuals who are blind or visually-impaired experience varying levels of services at other Michigan Works! Service Centers.
- The MDE – Low Incidence Outreach (MDE-LIO) program provides outreach services to the ISDs.

RSA discussed the observations of its stakeholders with MCB and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

Continuing Education Needs of MCB Staff

RSA solicited input from MCB to identify the following continuing education needs of its staff:

- developing and implementing service delivery evaluation processes;
- skill-building to improve the achievement of competitive employment outcomes;
- strategies to decrease recidivism; and
- developing and implementing effective strategies to improve internal and external communication.

VR and SE Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to MCB about those observations. MCB responded to each of the recommendations and in those instances when RSA and MCB agreed upon a recommendation, RSA and MCB identified the TA that RSA would provide to MCB to successfully implement the recommendation.

1. Quality Assurance

Observations: MCB does not have comprehensive and integrated QA processes and, therefore, cannot evaluate the agency’s financial and programmatic performance on a continuing basis.

- MCB monitors service records and provides the results of these reviews to VR counselors.
- VR counselors are not evaluated on the quality of the employment outcomes achieved by individuals on their caseloads.
- MCB does not have standards for measuring the performance of vendors, nor does it have a system for ensuring the accountability of, and the consumer satisfaction with, vendor performance.
- MCB and its commission spend extensive time soliciting consumer input, but do not have a systematic method to incorporate this input into QA processes.

Recommendations: RSA recommends that MCB:

- 1.1 develop and implement an agency QA system that promotes accountability, evaluates MCB and vendor performance, and serves as a baseline for measuring agency progress in achieving strategic goals;
- 1.2 integrate into the QA process activities and input identified through the Vision 20/20 initiative, the findings contained in the CSNA, agency performance and financial data, the results of consumer and employee satisfaction surveys and the service record reviews, and other information necessary to align resource allocation with agency needs; and
- 1.3 modify the employee performance appraisal system to align with the tenets of the new QA system.

Agency Response: MCB's electronic CMS (System 7) collects data regarding the quality of rehabilitation closures based on the types of services provided, the successful completion of the training, as well as the types of employment outcomes. Counselors are able to assist consumers in obtaining training that will lead to quality employment outcomes. This process encourages consumers to aspire to one's maximum potential.

- 1.1 MCB's CMS has the ability to evaluate vendor's performance through surveying the satisfaction of services provided to consumers. The survey will provide MCB with data regarding delivery of goods and services as well as the success or inability to elevate the performance of the consumers. The system will periodically submit surveys quarterly.

In addition, MCB was scheduled to receive an upgrade to the current CMS in December 2009. That upgrade would include assessment tools integrated into the work flow of the existing systems eligibility, plan, authorizations, and reports. These assessment tools will provide MCB staff the ability to provide a quantitative assessment or assessments as part of the determination of eligibility. These assessments would identify the vocational limitations as related to the client's disability which could be overcome by the provision of services. As the services, which are meant to address and overcome the identified limitations, are delivered, the counselor staff can review and quantify the success or failure of the service by re-assessing the client with the same tools and again determining if the vocational impediment has been reduced and/or eliminated. This process then provides the agency with the ability to provide and track performance based monitoring for both staff and vendors by documenting how vocational impediments have been reduced and/or eliminated.

- 1.2 MCB understands the value of integrating process activities and input identified through the Vision 20/20 initiative, the findings contained in the CSNA, agency performance and financial data, the results of consumer and employee satisfaction surveys and the service record reviews, and other information necessary to align resource allocation with agency needs into a QA system. MCB will consider the feasibility of this recommendation as resources become available.
- 1.3 While not a requirement of the Act, MCB understands the value of aligning employee performance with a QA system and will consider the feasibility of this recommendation as resources become available.

RSA Response: With regard to MCB's comment to Recommendation 1.2, at the time of the onsite MCB was not utilizing the full capability of its CMS to evaluate vendor performance. The recommendation identifies a QA system, which would include all the agency's QA activities into a comprehensive, coordinated approach regarding the agency's performance. While a customer satisfaction survey may be one component, it is not by itself a QA system. The QA activities described as part of the system upgrade occurred subsequent to the monitoring review, and indicate the previous CMS version did not have the capability to conduct these activities.

Technical Assistance: MCB would appreciate any TA available by examples or further documentation of how other states are incorporating QA Systems in their VR Process. MCB would like to see a model of what RSA is looking for in a QA System.

2. Internal and External Agency Communications

Observations: While MCB implemented the Vision 20/20 initiative to promote leadership and input into policy through four teams, and improve internal communication throughout the organization, including between the agency and MCBTC, discussions with MCB field staff and management indicated that management level communication is not conveyed throughout the organization. Some agency staff throughout the state indicated the need to increase communication from MCB management about agency initiatives and activities. Key stakeholders also indicated concerns about the length of time involved in soliciting consumer input into policy development.

- Staff indicated the need to improve communication between MCBTC and MCB. MCBTC has limited access to financial and performance information maintained on MCB's data management system modules, and limited control over its budget.
- Despite the extensive time MCB and its commission have spent soliciting constituent and consumer input on policy development and agency operations, they have not developed a systematic method of incorporating consumer input in a timely manner. For example, stakeholders indicated the hearing aid policy took three years to develop and implement due to disagreements among the various constituent groups.

Recommendations: RSA recommends that MCB:

- 2.1 revise Vision 20/20 strategies to address improving communication between management and field staff regarding the agency's priorities, strategic plans, and goals;
- 2.2 increase MCBTC's access to pertinent data and financial information in the data management system to more effectively manage its budget and consumer cases; and
- 2.3 develop a timeline for soliciting constituent input to expedite policy development and implementation.

Agency Response:

- 2.1 Through quarterly meetings of MCB's Vision 2020 Planning and Quality Team, comprised of commission, management and staff representatives, consumers and stakeholders, MCB's Action Plan priorities and strategies are regularly reviewed, updated and adjusted and shared with all commissioners, staff and partners. Examples of communication tools being employed include distribution of the newsletter "MCB Insight," the Vision 2020 Listserve, quarterly distribution of the MCB Report, MCB

Activity List, an internal Communications Committee comprised of representatives from all agency programs and offices, periodic “Update and News” messages from the director and almost daily updates to the agency’s excellent website. Further, the agency regularly supports participation and involvement of consumers and stakeholders as members of the Consumer Involvement Council, the Service Delivery Team, Image and Identity Team, Technology Team and the Diversity Committee. The Commission also makes its quarterly Commission meetings available to consumers throughout the state through the utilization of audio-streaming and teleconferencing, enabling consumers and others to participate remotely. MCB will continue these activities.

- 2.2 The Commission’s Executive Management Team (EMT) will continue to meet at least monthly and continuously strive to ensure that EMT deliberations remain inclusive and equitable.
- 2.3 Upgrades to MCB’s management and data system will help increase access to pertinent data and financial information for all managers and EMT members.
- 2.4 Commissioners, staff, consumers, and stakeholders have been significantly engaged in MCB’s well-defined policy development process for several years as part of the MCB Vision 2020 Initiative. While this inclusive process has been helpful in strengthening relationships between the commissioners, staff, consumers, and stakeholders, a noteworthy byproduct of MCB’s commitment to inclusiveness has been the amount of time it takes to complete the process, as compared to a simple, top-down approach to policy making. In response to this recommendation, MCB will attempt to develop a timeline mechanism for soliciting constituent participation in order to expedite policy development and will attempt to do so in a manner which does not diminish broad participation.

Technical Assistance: None requested at this time.

3. Transition

Observations: The number of transition-age youths served at MCB is low in relation to the general population served. The employment rate for all individuals served by MCB was 66 percent in 2007. However, the transition-age youth employment rate is below 50 percent, and has been lower historically. MCB operates nine transition-age summer youth programs throughout the state.

Table 4.2
MCB Employment Rate for Transition Youths for FY 2003 through FY 2007

Employment Outcomes	2003	2004	2005	2006	2007	Changes from 2003
MCB Employment outcomes	29	35	29	41	28	-1
All blind agencies employment outcomes	672	639	663	714	781	109
MCB Employment rate	42.0%	41.2%	44.6%	53.2%	49.1%	7.1%
All blind agencies employment rate	48.3%	49.5%	48.0%	52.5%	55.9%	7.6%

- The Detroit Summer Youth Program is open to blind and visually-impaired high school youths from the ages of 14 to 26 to provide them with the opportunity to gain practical work experience in a variety of settings. The program also provides some technical training, daily living activities, and recreational experiences. However, MCB was not able to demonstrate how these activities contributed to competitive employment outcomes.
- While MCB transition-age youths have access to career training programs offered at MCTI, less than one percent of individuals served at MCTI are blind or visually-impaired. MCTI staff indicated they have limited experience working with individuals who are blind or visually-impaired.

Recommendations: RSA recommends that MCB:

- 3.1 restructure the summer youth programs to emphasize employment-related activities in support of vocational goals;
- 3.2 develop and implement methods to evaluate the effectiveness of the summer youth program outcomes;
- 3.3 develop agency goals with broad stakeholder input for improving the achievement of employment outcomes for transition-age youths;
- 3.4 conduct training with MCTI staff to ensure that they are provided with the skills necessary to work effectively with MCB consumers; and
- 3.5 utilize MCTI as a resource for improving the achievement of competitive employment for MCB transition-age youths.

Agency Response:

- 3.1 MCB's summer youth programs already focus on the development of vocational goals and do not need to be significantly restructured, although the agency will always pursue enhancements in these programs, consistent with our dedication to continuous improvement. MCB's transition summer programs are designed to provide consumers with an opportunity to receive vocational information, pre-employment assessments, job shadowing experiences, mentoring, as well as employment opportunities. Each of the summer programs have incorporated these components for transitioning students, i.e., one summer youth program provides transition youths with technology training, vocational assessments and job placement in integrated setting within the community. Another summer program, introduced transition students to independent living skills, entrepreneurial training, team approaches to producing artistic items, and other summer programs provided youths with the opportunity to gain work experience in the food service industry. All of the summer programs emphasized the importance of learning and employing soft skills in their daily work.
- 3.2 MCB's summer programs target specific goals for the consumers to obtain. These goals are developed with the individual's progress relating to their growth and development. Collectively, the program evaluates the achieved outcome of each individual and the overall success of the summer program. At the conclusion of each summer program an

evaluation report is provided that details their achievement of the individual goal as they relate to the overall goal of the program.

- 3.3 MCB utilizes community rehabilitation agencies, Michigan Works! and the ISDs in the implementation of its transition program. By utilizing these resources, MCB transition students are informed of the latest labor market trends regarding emerging careers for the transition age youths in the 21st century.
- 3.4 MCB does not believe that a comprehensive program to provide blindness training to the entire MCTI staff would be practical for either agency. Because the number of blind and visually-impaired consumers who attend MCTI is likely to remain small, long periods of time might elapse between the times when a customer who is blind or visually-impaired is receiving training at that facility.

It is extremely difficult for any individual to retain learned information if a significant time lapse occurs between the learning of that information and the occasion when that individual is called upon to put the information to use in an applicable situation. Therefore, it will be far more effective for the MCB to provide targeted training for MCTI staff immediately prior to the entry of a customer who is blind or visually-impaired into an MCTI program. This agency has provided this kind of “just in time” training in the past, with excellent results.

With information flowing freely between the staff of MCBTC and MCTI, as is presently the case, we are confident that customers who are blind and visually-impaired will be able to make informed choices about whether they will attend an MCTI training program. Whenever an MCB customer makes this choice, MCB counselors and rehabilitation teachers will provide the appropriate type and amount of training to any MCTI staff who will interact with that customer.

- 3.5: For the reasons set forth in 3.4 above, MCB does not find this recommendation to be in the best interest of its transition-age youths. It is impractical because of the vital importance of blindness skills to this population in obtaining successful, gainful employment in integrated settings. In many cases, today’s blind youth reach their high school years lacking the most basic skills of daily life. As explained in bullet 2 above, if an individual is not able to care for himself or herself with a significant degree of independence and competence, that individual may struggle to secure employment.

MCTI is not equipped to provide a training program that includes a combination of intensive blindness skill training and work experience. Its secluded location, far from any kind of public transportation or even para-transit services, makes it an impractical setting for this kind of training.

In the summer of 2009, MCBTC initiated a summer training program for transition-age youths. The program included a significant employment component along with the intensive training in the skills that enable blind persons to succeed in competitive employment and to participate fully as contributing members of family and community

life. Through this program, internship positions are available in four different areas inside MCBTC. Several additional opportunities are being established throughout the community where MCBTC is located.

The demands of school limit the amount of blindness skill training that can be provided to transition-age youths during the school year. Summer then becomes the only time during which these essential skills can be delivered to the majority of customers in transition. MCB will continue to collaborate with MCTI at every opportunity, beginning with its inclusion as a potential work experience site for the summer youth training program.

Technical Assistance: None requested at this time.

4. Homemaker Outcomes

Observations: Table 4.3 indicates that the percentage of individuals who achieved a homemaker outcome represents a significant portion of all individuals who achieved an employment outcome. MCB homemakers represent more than twice the percentage of all blind agencies nationwide. MCB's homemaker policy focuses on the skills that the individual must personally perform in each of four core areas in order to be considered successfully rehabilitated: kitchen skills, travel skills, home management, and communication skills.

Table 4.3
MCB Employment Status at Closure for Homemakers for FY 2003 through FY 2007

Employment status	2003	2004	2005	2006	2007	Changes from 2003	Blind agencies total in 2007
Homemakers	123	93	115	85	103	-16.3%	1,036
Percent of all Employment outcomes	43.5%	36.8%	39.0%	31.3%	36.1%	-7.3%	15.0%

- MCB stated that individuals who are blind or visually-impaired often come to the agency first to learn to live independently and are closed with a homemaker employment outcome. Later, they may return to MCB to pursue competitive employment. However, MCB does not track this trend of individuals moving from homemaker status to competitive employment status.
- Although MCB has the electronic capability to track applicants that change from one employment outcome to another during the VR process, MCB does not track whether homemaker was the initial employment goal chosen by the applicant or whether it was later chosen during an IPE amendment process.
- MCB has made efforts to reduce homemakers by referring individuals 55 or older without a competitive vocational goal to the OIB program. However, MCB does not track the numbers of referrals it makes to the OIB program for this population.

- While MCB has established criteria and standards for homemaker closures, MCB has discussed developing more stringent guidelines on these closures.
- Table 4.4 indicates that MCB's total competitive employment outcomes are 28.7 percentage points lower than blind agencies nationally, despite meeting the indicator threshold of 35.4 percent.

Table 4.4
MCB Competitive Employment Outcomes for FY 2003 through FY 2007

Employment	2003	2004	2005	2006	2007	Changes from 2003
MCB Employment outcomes	283	253	295	272	285	0.7%
All blind agencies employment outcomes	8,218	7,462	7,088	6,870	6,922	-15.8%
MCB percent with competitive employment	56.2%	57.3%	60.3%	68.0%	53.0%	-3.2%
All blind agencies percent with competitive employment	65.0%	71.8%	76.6%	81.1%	82.3%	17.4%

Recommendations: RSA recommends that MCB:

- 4.1 develop and implement strategies to reduce the rate of homemaker closures;
- 4.2 develop a tracking system to measure the effectiveness of these strategies so that individuals, especially those age 55 and older, who do not seek a competitive employment outcome and are referred to the OIB program can be tracked;
- 4.3 revise the agency policy for homemaker outcomes by providing more stringent guidelines than those currently in the policy manual; and
- 4.4 promote the renewed focus on competitive employment outcomes with constituents and other key stakeholders.

Agency Response:

- 4.1 MCB has implemented a process with its rehabilitation teachers that focuses on providing services to individuals who are 55 years and older to become participants in the OIB program. Through this initiative, MCB will reduce the number of homemakers through a progression. As a result, MCB counselors will place greater emphasis on working with consumers to involve them in vocational training resulting in employment outcomes.
- 4.2 MCB will monitor the progress of this initiative each year by reviewing the number of referrals to the rehabilitation teachers program quarterly to determine the number that will be referred to the VR program for competitive employment.
- 4.3 MCB already has criteria and standards for those who wish to become homemakers. These standards are a part of MCB's procedures in the policy manual. Further, MCB follows the guidelines that all homemakers must support the primary wage earner or minor children living in the home.
- 4.4 MCB believes that its primary focus has continuously centered on assisting its customers to achieve successful employment outcomes. Our offices have routinely sponsored and/or participated in job fairs, assisted customers to attend those fairs and promoted

those customers to participating employers. This agency's focus on entrepreneurs is a strong and continuously expanding element of our tool kit. MCB customers have started businesses across the state during the review period, resulting in many successful outcomes. MCB's partnerships with businesses throughout MI continue to expand, and those partnerships offer employment opportunities at all levels to MCB's consumers. The value that this agency places on employment is reflected in its outreach efforts to individuals who are in jeopardy of losing their jobs because of blindness. In keeping with its commitment to continuous improvement, MCB will strive to increase its outreach to potential employers, and expose its consumers to work experience at every opportunity.

This report notes that MCBTC "recently integrated a career focus program to help better prepare individuals for the workforce." The primary obstacle to employment for people who are blind is lack of experience. Consumers who become blind adventitiously usually possess a significant work history, but their experience accrued prior to the onset of blindness is often disregarded. Consequently, they are not proven in the workplace as qualified blind workers when they begin the vocational rehabilitation process. Congenitally blind consumers rarely find employment during their teenage years, and as a result, they generally lack work experience of any kind upon entering the public VR program.

In fact, this program includes an expanded work experience component to give consumers the opportunity to gain real world employment experience as blind people, in the community of Kalamazoo, as an integral part of their comprehensive blindness skill training program. The four elements of the Center's career focus program include: 1) exploration and assessment of skills, interests, abilities, capabilities, and work experience if any; leading to a career choice. (Note: if this career selection differs from that which is recorded in their IPE, that document is appropriately amended by their VR counselor); 2) development of a resume, cover letter, interview skills and strategies for finding job leads; 3) informal work experience inside the Training Center, in an area that relates as closely as possible to the consumer's vocational goal; and 4) work experience in the community of Kalamazoo, in the form of an internship, volunteer job or paid employment. Making career focus an integral part of MCBTC's blindness skills training program has already begun to keep training Center students much more focused on employment than was previously the case. As consumers begin to leave the Center with work experience that was acquired when they were blind, they have references to provide to prospective employers. These references, whether they are staff from inside the Center or business people in the community, are nearly always positive, enthusiastic supporters of consumers as highly qualified, motivated employees.

As MCB administrators and staff speak about the career building program, through articles in the MCB newsletter, presentations to blindness consumer organizations, and word-of-mouth advertisement from consumers who have completed their Center training and have participated in the program, both current and future consumers of MCB services (constituents and key stakeholders) will benefit from this renewed focus on successful employment outcomes.

RSA Response: RSA recognizes that MCB has consistently “passed” the relevant standards and indicators for the issue raised here, but Table 4.4 indicates MCB consistently ranks lower than other blind agencies. In particular, rows 3 and 4 of Table 4.4 show MCB’s percent with competitive employment outcomes has ranged from 8.8 to 28.7 percentage points below all blind agencies’ percent with competitive employment outcomes.

Technical Assistance: None requested at this time.

5. Innovation and Expansion (I&E) Projects

Observation: MCB funds I&E projects that are primarily recreational in nature, as opposed to directly linked to employment. I&E funds are for the development and implementation of innovative approaches to expand and improve the provision of VR services to individuals with disabilities. An example of an I&E project could be a pilot work readiness and job coaching program for transition-age youths.

MCB has been using I&E funds to cover expenditures related to the Newline for the Blind, which provides access to a variety of news media for persons who are blind or visually-impaired, including vacancy announcements and employment related classified advertisements. This service would be better provided as a service to groups pursuant to 34 CFR 361.49.

Recommendations: RSA recommends that MCB:

- 5.1 transfer funding of Newline from an I&E project to services for groups under 34 CFR 361.49; and
- 5.2 ensure any projects funded under I&E are employment-focused, consistent with 34 CFR 361.35.

Agency Response:

- 5.1 MCB will identify any funding of Newline as services for groups consistent with 34 CFR 361.49.
- 5.2 MCB will ensure any projects funded under I&E are employment-focused, consistent with 34 CFR 361.35.

Technical Assistance: None requested at this time.

6. Data Management

Observations: RSA’s review of the MCB data management system disclosed limitations in the system, including the lack of a comprehensive tickler function for counselors, an inability to match authorizations with the respective consumer services, and an outdated list of services.

- MCB had 321 service records that were overdue in different case management statuses, varying from four to over 3,000 days because the system does not include a comprehensive tickler system to remind counselors of key dates related to service record status updates.
- Thirty-two service records were open anywhere from 10 to 17 years.

- Currently, MCB has a list of 85 service items that counselors can enter into the system to document services provided to consumers. Some of the items on the list are out of date and some other services are not included in it, resulting in coding errors.

Recommendations: RSA recommends that MCB:

- 6.1 implement a comprehensive tickler function to assist VR counselors to keep track of consumer progress in moving through the VR system, and to assist supervisors in monitoring employee performance; and
- 6.2 update the service item list according to the RSA instructions for completing the RSA-911 report contained in RSA PD-07-01.

Agency Response:

- 6.1 MCB has been working with its CMS vendor to provide tickler functionality to the current tracking system. In December 2009, the vendor was scheduled to deliver an update to our current system that would provide a “next Actions” function. This functionality would show each staff member tickler items that need attention across their caseload. This could further be enhanced to produce automated e-mail notifications to counselors and their supervisors. In January-February 2010, MCB was scheduled to train staff on all features of the new updates to the CMS, including the tickler feature.
- 6.2 MCB has already updated the services and their appropriate RSA-911 service type codes.

Technical Assistance: None requested at this time.

7. Jobs in Jeopardy

Observations: MCB promotes the Jobs in Jeopardy priority through a PR initiative focused on employers, the medical community, and employed individuals. As a result of the initiative, 24.6 percent of VR applicants were employed at the time of application in FY 2007. MCB has not conducted widespread outreach designed to target a broader population of individuals who are blind or visually-impaired and not working.

Recommendation: RSA recommends that MCB’s PR campaign initiative promote equitable access to all individuals who are blind or visually-impaired who may benefit from VR services.

Agency Response: Although MCB has not singled out the population of employed individuals for the provision of services, the agency conducted an outreach campaign to this population because these individuals and their employers are generally unaware of the availability of VR services. This population is clearly intended to benefit from the provision of rehabilitation services, as section 102(a)(1)(B) states that an eligible individual “requires vocational rehabilitation services to prepare for, secure, retain, or regain employment.”

MCB engages in multiple efforts to reach individuals who are not employed at the time of application for services. Representation on stakeholder groups is often confined to those who are unemployed, largely because of the time required to participate fully in conference calls and committee work, and the prevalence of meetings that take place during the day. Transition efforts, including outreach to secondary and post-secondary educational institutions; and

partnerships with various social service, vocational training and workforce investment agencies tend to target the population of unemployed individuals. These outreach efforts account for the fact that over 75 percent of individuals served during the time of this review were not employed at the time they were declared eligible to receive VR services. The agency is already broadening its media outreach campaign to reach a greater number of blind persons who are not employed, while continuing its outreach to physicians and employers. In so doing, MCB hopes to maximize the number of persons reached who will be able to benefit from the provision of VR services to MI residents who are blind.

Technical Assistance: None requested at this time.

VR and SE Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that MCB is required to undertake. MCB must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and is available to provide TA to assist MCB. RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds and Title VI SE funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

1. Cooperative Agreements with Grants to American Indian VR Programs

Legal Requirement:

Section 101(a)(11)(F):

Cooperative agreement with recipients of grants for services to American Indians.--

In applicable cases, the State plan shall include an assurance that the State has entered into a formal cooperative agreement with each grant recipient in the State that receives funds under part C. The agreement shall describe strategies for collaboration and coordination in providing vocational rehabilitation services to American Indians who are individuals with disabilities, including--

- (i) strategies for interagency referral and information sharing that will assist in eligibility determinations and the development of individualized plans for employment;
- (ii) procedures for ensuring that American Indians who are individuals with disabilities and are living near a reservation or tribal service area are provided vocational rehabilitation services; and
- (iii) provisions for sharing resources in cooperative studies and assessments, joint training activities, and other collaborative activities designed to improve the provision of services to American Indians who are individuals with disabilities.

Finding 1: MCB is not in compliance with section 101(a)(11)(F) of the Rehabilitation Act because it does not have a formal mechanism for ensuring collaboration between MCB and the Hannahville Tribe, the section 121 grant recipient in MI. While there has been some communication between the two programs, a formal cooperative agreement has not been developed and implemented.

Corrective Action 1: RSA requires that MCB complete a cooperative agreement meeting the requirements at section 101(a)(11)(F) of the Rehabilitation Act with the Hannahville Tribe, the section 121 grantee in MI. MCB must submit the signed cooperative agreement to RSA as evidence of completion of this corrective action.

Agency Response: In response to the required corrective action, MCB has developed an agreement with the Hannahville Native American Indian Tribe (section 121 project). Currently, the agreement is being reviewed by the Hannahville Indian Tribe council for approval.

RSA Response: RSA appreciates the fact that MCB has initiated the development of a cooperative agreement with the Hannahville Tribe, as required. Once the agreement is finalized and implemented, MCB must submit a copy to RSA to demonstrate completion of this corrective action.

Technical Assistance: None requested at this time.

2. Youth Low Vision Program

Legal Requirement:

34 CFR 361.42(a)(1) Eligibility Requirements

The designated State unit's determination of an applicant's eligibility for vocational rehabilitation services must be based only on the following requirements:

- (i) A determination by qualified personnel that the applicant has a physical or mental impairment.
- (ii) A determination by qualified personnel that the applicant's physical or mental impairment constitutes or results in a substantial impediment to employment for the applicant.
- (iii) A determination by a qualified vocational rehabilitation counselor employed by the designated State unit that the applicant requires vocational rehabilitation services to prepare for, secure, retain, or regain employment consistent with the applicant's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.
- (iv) A presumption, in accordance with paragraph (a)(2) of this section, that the applicant can benefit in terms of an employment outcome from the provision of vocational rehabilitation services.

Finding 2: MCB is not in compliance with 34 CFR 361.42(a)(1) to the extent that MCB uses Title I VR funds to serve individuals through its Youth Low Vision Program (YLVP) who do not meet the eligibility criteria for the VR program. MCB serves approximately 400 individuals every year through the YLVP, and counts expenditures incurred as part of the VR program.⁵

Individuals receiving YLVP services range in age from birth to 26 years old, do not necessarily meet MCB's eligibility requirements for a blind or visually-impaired individual, and do not necessarily intend to achieve an employment outcome. Eligibility requirements for YLVP are not as stringent as those for MCB's VR program. Services provided under the YLVP may include the purchase of low vision aids.

In order to be eligible for the VR program, 34 CFR 361.42(a) requires that an individual have a physical or mental impairment that constitutes a substantial impediment to employment and that the individual require VR services to achieve an employment outcome. VR funds must be expended solely for the provision of VR services or the administration of the VR program (34 CFR 361.3). Given the age range served by the YLVP, very few would meet the eligibility criteria for the VR program since most would not be old enough to be trying to achieve an employment outcome. To the extent that MCB has used VR funds to serve individuals receiving YLVP services who do not meet the VR eligibility criteria, MCB has failed to comply with 34 CFR 361.42(a). Furthermore, expenditure of VR funds to serve those individuals would not be allowable under the VR program, as will be discussed in more detail in Chapter 5 of this report.

Corrective Action 2: RSA requires that MCB discontinue VR services to youths in the YLVP who do not meet the VR program eligibility criteria set forth at 34 CFR 361.42(a).

Agency Response: MCB believes the YLVP services are consistent with section 103(b)(2)(B) of the Rehabilitation Act, which allows for the provision of VR services to groups of individuals, so long as those services promise to contribute substantially to the rehabilitation of a group of individuals. Services to groups of individuals are not related directly to the individualized plan for employment of any individual with a disability. MCB received documentation from RSA approving the utilization of these funds in the above mentioned activities.

MCB is aware that all individualized VR services must be provided only to those individuals who meet the eligibility criteria of 34 CFR 361.42(a)(1). YLVP services provided to individuals eligible for that program are designed to assist in the development of vocational exploration, with the ultimate intention of assisting those individuals to obtain further education and eventually achieve an employment outcome. MCB is evaluating its YLVP to make sure that individuals meet the criteria for services to groups, outreach activities and vocational services.

RSA Response: We disagree with MCB's assertion that YLVP services are allowable under the VR program, pursuant to section 103(b)(2)(B) of the Rehabilitation Act and 34 CFR 361.49(a)(6), as a service to groups. The services to groups provision in both the Rehabilitation Act and VR regulations pertains to those services that benefit a group of individuals as a whole – not individuals within a class or group of individuals. According to the facts outlined above, and which MCB did not dispute, the YLVP provides specialized low vision aids to individuals who

⁵ See Chapter 5, MCB Financial Management, Compliance Finding 5 for related fiscal compliance finding.

fit within a group comprised of visually-impaired individuals aged infant to 26. These are clearly individualized services designed to improve the specific visual impairments of each of those individuals. These types of services are separate and distinct from those VR services that benefit groups, such as specialized telecommunications services that improve access to VR services for a group of consumers or the purchase of a bus to transport groups of consumers to a training center.

In separate communication, MCB claimed that the RSA Region 5 office had approved the use of YLVP expenditures for meeting MCB's VR match requirements. We have reviewed an email exchange between MCB and the RSA Region 5 office, which existed at that time, dated April 26, 2004 and May 7, 2004. The MCB incoming communication simply stated that the State had appropriated \$250,000 for the provision of low vision services to visually-impaired youth to assist them in transition and that MCB planned to use those funds towards satisfying its VR match requirement. MCB did not provide specifics as to the population to be served or whether these individuals were MCB consumers with approved IPEs in place that identified these as needed services. The RSA response was extremely short and provided no analysis as to how MCB's proposal satisfied Federal requirements. While we do not know for certain, we presume that the then regional office staff indicated their concurrence with MCB's proposal to the extent that the expenditures incurred would be for allowable services to individuals determined eligible for MCB VR services and were provided in accordance with approved IPEs. As we have stated throughout this finding and RSA response, to the extent that the YLVP services were provided to VR-eligible consumers in accordance with approved IPEs, those services would be allowable and could be used towards satisfying MCB's VR match requirement. To the extent that the services were provided to individuals who had not been determined eligible for MCB VR services and did not have approved IPEs in place, those expenditures would not be allowable under the VR program. For all of these reasons, the finding stands and MCB must comply with the corrective action outlined above.

Technical Assistance: None requested at this time.

3. Financial Needs Testing for SSI/SSDI recipients

Legal Requirement:

34 CFR 361.54(b)(3)(ii)

The designated state unit may not apply a financial needs test, or require the financial participation of the individual – (ii) as a condition for furnishing any vocational rehabilitation service if the individual in need of the service has been determine eligible for Social Security benefits under Titles II or XVI of the Social Security Act.

Finding 3: MCB is not in compliance with 34 CFR 361.54(b)(3)(ii) because it requires SSI/SSDI beneficiaries and recipients to provide a financial contribution equivalent to the maximum SSI monthly amount (according to the SSA Red Book for the current year) towards the cost of certain VR services, such as maintenance. This policy fails to comply with federal

regulations at 34 CFR 361.54(b)(3)(ii) that prohibit MCB from requiring SSI/SSDI recipients to participate in the financial cost of their VR services.

Corrective Action 3: RSA requires that MCB to revise its policies to ensure that SSI/SSDI beneficiaries and recipients are not required to provide a contribution toward any VR service. Furthermore, MCB must cease requiring SSI/SSDI recipients to contribute towards the financial cost of their VR services. Once MCB implements the revised policies, MCB must submit a copy to RSA to ensure compliance.

Agency Response: MCB is revising its maintenance policy to eliminate the requirement that individuals must use their SSI/SSDI to contribute to their rehabilitation program. The revision will comply with the federal regulation at 34 CFR 361.54(b)(3)(ii).

RSA Response: RSA appreciates the fact that MCB has begun revising its maintenance policy to comply with 34 CFR 361.54(b)(3)(ii). Once MCB completes the revisions, MCB must submit a copy of the revised policy to ensure compliance. In the meantime, MCB must assure that it will cease requiring SSI/SSDI to contribute towards the cost of their VR program.

CHAPTER 5: FISCAL MANAGEMENT OF MCB'S VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, INDEPENDENT LIVING, AND OLDER INDIVIDUALS WHO ARE BLIND PROGRAMS

RSA reviewed MCB's fiscal management of the VR, SE, IL, and OIB programs. During the review process RSA provided TA to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices, and financial management systems.

Fiscal Management

The data in the following table, taken from fiscal reports submitted by the state agencies, speak to the overall fiscal performance of the agency. The data related to matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The MOE requirement data are taken from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which it is compared). Fiscal data related to administration, total expenditures, and administrative cost percentage are taken from the RSA-2.

Table 5.1
Fiscal Data for MCB for FY 2004 through FY 2008

Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	10,500,562	11,329,806	12,413,785	13,571,736	14,602,124
Required Match	2,841,956	3,066,390	3,359,766	3,673,164	3,952,036
Federal Expenditures	10,500,562	11,329,806	12,413,785	13,571,736	**12,494,728
Actual Match	2,841,957	3,076,735	3,359,766	3,859,420	3,957,306
Over (Under) Match	1	10,345	0	186,256	5,270
Carryover at 9/30 (year one)	709,790	202,579	46,691	1,756,181	2,096,609
Program Income	765,941	105,664	564,196	437,290	32,582
MOE Requirement	2,911,391	2,823,889	2,841,957	3,076,735	3,359,766
Administrative Costs	5,242,347	4,481,027	4,076,910	4,885,285	3,998,617
*Total Expenditures	15,448,367	16,237,219	17,163,830	17,503,634	18,633,450
Percent Admin Costs to Total Expenditures	33.9%	27.6%	23.8%	27.9%	21.5%

*Includes SE Program Expenditures.

** Deadline for obligating FY 2008 federal grant funds – September 30, 2009.

Explanations Applicable to the Fiscal Profile Table

Grant Amount:

The amounts shown represent the final award for each fiscal year, and reflect any adjustments for MOE penalties, reductions for grant funds voluntarily relinquished through the reallocation process, or additional grant funds received through the reallocation process.

Match (Non-Federal Expenditures):

The non-Federal share of expenditures in the VR program, other than for the construction of a facility related to a community rehabilitation program, was established in the 1992 amendments to the Rehabilitation Act at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR program (34 CFR 361.60(a) and (b); 34 CFR 80.24).

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources, and the projected amount of state appropriated funds available for match in each federal fiscal year. The accuracy of expenditure information previously reported in financial and program reports submitted to RSA was also reviewed.

Carryover:

Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). Either expending or obligating the non-federal share of program expenditures by this deadline may meet this carryover requirement.

In reviewing compliance with the carryover requirement, RSA examined documentation supporting expenditure and unliquidated obligation information previously reported to RSA to substantiate the extent to which the state was entitled to use any federal funds remaining at the end of the fiscal year for which the funds were appropriated.

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the SSA for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated CRP. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from SSA for rehabilitating Social Security disability beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies), sources and use of generated income.

Maintenance of Effort (MOE):

The 1992 amendments revised the requirements in section 111(a)(2)(B)(ii) of the Act with respect to MOE provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the MOE level is based on state expenditures under the title I State Plan from non-federal sources for the federal fiscal year two years earlier. States must meet this prior year expenditure level to avoid monetary sanctions outlined in 34 CFR 361.62(a)(1). The match and MOE requirements are two separate requirements. Each must be met by the state.

In reviewing compliance with this requirement, RSA examined documentation supporting fiscal year-end and final non-Federal expenditures previously reported for each grant year.

Administrative Costs:

Administrative costs means expenditures incurred in the performance of administrative functions including expenses related to program planning, development, monitoring, and evaluation. More detail related to expenditures that should be classified as administrative costs is found in VR program regulations at 34 CFR 361.5(b)(2).

Fiscal Technical Assistance Provided to MCB During the Review Process

RSA provided the following VR, SE, IL, and OIB program TA to MCB during the review process regarding:

- a synopsis of each requirement and reviewed with staff RSA's assessment of the agency's compliance with specific financial requirements – match, MOE, carryover, reallotment, program income, liquidation of outstanding obligations, and grant closeout;
- the federal requirements related to the allowable sources of non-federal funds that can be used to meet the VR program matching requirement, unallowable sources, and prohibitions against accepting outside matching funds that would revert to the donor;
- the requirements for third-party cooperative arrangements falling under 34 CFR 361.28;
- the formalization of guidelines for the IL OIB program into a written policy and procedures manual;
- including a provision in MCB's equipment transfer agreement that releases MCB from the maintenance, repair, or replacement responsibilities once an individual receives a device;
- the scope of I&E reporting including allowable activities and expenditures;
- OMB Circular A-87 semi-annual certification requirement applicable to staff charging 100 percent of their salary costs to one federal grant program;
- OMB Circular A-87 time distribution documentation requirements applicable to staff working on more than one program (federal and/or state);
- requirements applicable to the transfer of SSA reimbursement program income to IL programs to cover the cost of the salaries of individuals working in these programs when sufficient grant or matching funds are not available to pay these costs;
- accurately reporting SF-269 expenditures;

- strategies for reporting on the RSA-2 including the proper categorization of staff and vendors (public/private);
- reporting management services and supervision expenditures on the RSA-15 report submitted for BEP; and
- the agency's approach to financial planning and strategies to strengthen this process by including both financial and program staff, and increasing the knowledge of financial staff in program areas and activities that have financial implications.

Observations of MCB about the Fiscal Management Performance of the VR, SE, IL, and OIB Programs

RSA solicited input from MCB about the performance of the VR, SE, IL, and OIB programs. The MCB shared the observations below.

- Approximately half of MCB's state appropriation is utilized for the BEP program, forcing MCB to seek out alternative sources of match to fully match the federal VR program allotment.
- MCB does not have the opportunity to review the quarterly SF-269 reports, prepared by DELEG financial staff, prior to submission to RSA.

RSA discussed the observations of its stakeholders with MCB and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

MCB Response: With regard to the first bullet, a large amount of MCB's state appropriation is used to provide BEP rent in state buildings and operator retirement, which are not allowable Title I VR expenditures and, thus, must be paid for with state funds. To date, MCB is statutorily committed to the funding for the BEP expenditures. In the past, BEP rent in state buildings was fully funded by the State, but the funding was not increased as rent costs increased. In addition, the state funding that was earmarked for BEP rent was not transferred to MCB when the BEP program was moved to the Department of Labor in 2004, leaving MCB to foot the entire BEP rent bill.

With regard to the final bullet, MCB previously had not been able to review the quarterly SF-269 reports prepared by DELEG financial staff prior to submission. MCB staff raised this issue with DELEG financial staff and they have begun providing the reports to MCB staff for input prior to submitting the report to RSA.

VR, SE, IL, and OIB Programs' Fiscal Management Performance Observations and RSA Recommendations

RSA identified the following fiscal performance observations and made recommendations to MCB about those observations. MCB responded to each of the recommendations and in those instances when RSA and MCB agreed upon a recommendation, RSA and MCB identified the TA that RSA would provide to MCB to successfully implement the recommendation.

1. Financial Planning

Observations: MCB does not have a structured financial planning process. The staff indicated that MCB has a comprehensive strategic plan developed by four specialized teams: Planning and Quality; Service Delivery and Design; Technology; and Image and Identity. Discussions revealed that the primary focus of planning is to address programmatic issues without the integration of a fiscal component, although the agency must address issues related to dwindling non-federal resources. The OIB staff also indicated this program is not incorporated into the agency's strategic planning process.

From information provided to RSA onsite, there was limited evidence that the agency has actually developed and implemented a structured, long-range financial planning process that takes into consideration the: 1) necessary resources to achieve State Plan and strategic plan goals; 2) I&E activities planned by the agency; 3) projected federal and state financial resources and funding reductions; 4) staffing plans; 5) number of consumers projected to be served each fiscal year; 6) the cost of serving these consumers; and 7) the projected cost and financial impact of prior year commitments for IPEs on the resources available in current and future fiscal years.

This becomes critical since the state of MI only appropriates approximately \$4 million to MCB for programs administered by the agency. Due to a State law that requires MCB to provide the BEP vendors with retirement benefits, health benefits for retired vendors, and to pay for vendor rent in state buildings, MCB must utilize approximately \$2 million of its appropriation to this program to fund costs that it cannot use as non-federal match. This significant loss of MCB's primary source of match has placed the agency in a precarious position that has left them with the options of relinquishing federal funds it is unable to match through the reallotment process, or seeking and developing alternative sources of viable match. MCB has chosen the latter option.

MCB administers the VR program in an environment where:

- state funds appropriated for match are reduced due to statutory commitments to the BEP program;
- the remaining state appropriations are not sufficient to meet match requirements to fully utilize the federal funds made available to MI for the provision of services to individuals with disabilities seeking employment; and
- carryover balances have increased from FY 2004 (6.76 percent) to FY 2008 (14.36 percent), with a low of 0.38 percent in FY 2006.

As a result, developing and implementing a structured, realistic, long-term financial planning process is critical to the administration of MCB's VR and IL programs.

Recommendation: RSA recommends that MCB:

- 1.1 formulate a financial planning team that incorporates both program and fiscal representatives from the VR, IL and OIB programs; and
- 1.2 develop and implement a multi-year financial planning process that, at a minimum, projects: 1) anticipated financial resources (federal and non-federal); 2) plans for the

utilization of available resources, documents the need for additional resources and identifies excess resources; 3) administrative (including indirect) expenses; 4) staff salaries, fringe benefits and overhead costs; 5) I&E activities; 6) State Plan goals and strategies; and 7) costs related to providing services to program consumers. This plan should be updated on a regular basis and become a valuable program management tool.

Agency Response: With regard to the first bullet, MCB has continually addressed this with the department and provided recommended solutions. To date MCB is still statutorily committed to the funding for the BEP expenditures. As discussed earlier in this report, the State appropriation is for BEP rent in State buildings and operator retirement costs, neither of which is allowable under the Title I VR program, and, therefore, must be paid with State funds.

With regard to the second bullet, MCB and MRS have discussed and identified the need for increased State funding with the DSA, Department of Management and Budget and the MI legislature for more than six years. The current recession has severely impacted MI: unemployment rate is extremely high and there has been a substantial loss in State revenues. MCB believes RSA should consider the State's economic conditions when stating that "the remaining state appropriations are not sufficient to meet match requirements...." Nevertheless, MCB will continue to work with MRS to minimize reductions in State matching funds in FY 2010 and will compile documentation to pursue increased State funding once it is feasible to do so.

With regard to the third bullet, MCB is aware of this situation. This has been due, in part, to State limits on Federal funds authorized for MCB expenditure, but has been resolved in FY 2010 with a \$5 million increase in authority. MCB has several projects in FY 2010 that should assist in spending Federal funds, thus reducing the need to carry over large sums. In addition, the RSA observation regarding carryover balances steadily increasing has very little value. An increase in carryover balances is not a violation of any Federal requirement.

With regard to the specific recommendations outlined above:

- 1.1 MCB's Executive Management Team, which consists of program and fiscal representatives from the VR, IL and OIB programs, formulates annual financial planning and budgets; and
- 1.2 MCB and DELEG financial staff currently completes, compares, and updates annual financial plans that identify and incorporate financial resources; plans for the utilization of available resources and identifies excess resources; administrative (including indirect) expenses; staff salaries, fringe benefits and overhead costs; I&E activities if any; and costs related to providing services to program consumers. This plan is updated monthly. MCB believes that it would be beneficial to extend these plans to cover at least a three-year period. Any plans further than three years could not accurately project staffing cost (a major expenditure) as staffing contracts are negotiated for a three-year period as are vendor contracts.

Technical Assistance: None requested at this time.

VR, SE, IL, and OIB Programs' Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that MCB is required to undertake. MCB must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and RSA is available to provide TA to assist MCB. RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, Title VI SE funds, and Title VII IL Part B and OIB funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

1. SILC Providing Donated CIL Funds to MCB for Match

Legal Requirements:

Section 7(14) of the Rehabilitation Act establishes the Federal share for the VR program as 78.7 percent. Hence, the State must contribute 21.3 percent of non-Federal funds towards the cost of operating the VR program.

34 CFR 361.28 states:

- (a) The designated State unit may enter into a third-party cooperative arrangement for providing or administering VR services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State Unit ensures that--
 - (1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a VR focus or existing services that have been modified, adapted, expanded, or reconfigured to have a VR focus;
 - (2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;
 - (3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and
 - (4) All State Plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program.
- (b) If a third party cooperative agreement does not comply with the statewideness requirement in §361.25, the State unit must obtain a waiver of statewideness, in accordance with §361.26.

34 CFR 361.60 states:

- (c) Federal share—(1) General. Except as provided in paragraphs (a)(2) of this section, the Federal share for expenditures made by the State unit under the State plan, including expenditures for the provision of vocational rehabilitation services and the administration of the State plan, is 78.7 percent.

(d) Non-Federal share—

- (1) General. Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under this section must be consistent with provisions of 34 CFR 80.24.
- (2) Third party in-kind contributions. Third party in-kind contributions specified in 34 CFR 80.24(a)(2) may not be used to meet the non-Federal share under this section.
- (3) Contributions by private entities. Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under this section if the funds are earmarked for –
 - (i) Meeting in whole or in part the State’s share for establishing a community rehabilitation program or constructing a particular facility for community rehabilitation program purposes;
 - (ii) Particular geographic areas within the State for any purpose under the State plan, other than those described in paragraph (b)(3)(i) of this section, in accordance with the following criteria....
 - (iii) Any other purpose under the State plan, provided the expenditures do not benefit in any way the donor, an individual to whom the donor is related by blood or marriage or with whom the donor has a close personal relationship, or an individual, entity, or organization with whom the donor shares a financial interest.

34 CFR 361.63(c)(4) states:

Program income cannot be used to meet the non-Federal share requirement under §361.60.

34 CFR 364.5(c)(3) of the IL regulations states:

Program income may not be used to meet the non-Federal share requirement under 34 CFR 365.12(b).

Finding 1: MI CILs, MI SILC, and MCB are not in compliance with the Federal requirements regarding third-party cooperative arrangements under 34 CFR 361.28, private contributions to VR agencies for match purposes under 34 CFR 361.60(b)(3), or program income under 34 CFR 361.63(c)(4) and 34 CFR 364.5(c)(3).

MI CILs are non-profit entities that provide both VR and IL services to eligible individuals, with Titles I and VII funds respectively. As non-profit entities, MI CILs engage in fund-raising activities because they have a statutory authorization to develop additional resources to use for the IL program; therefore, CILs may use Title VII funds to engage in these activities. The MI SILC, established under Title VII of the Rehabilitation Act has set up a separate non-profit corporate arm – as it is permitted to do -- to perform certain financial brokering duties that fall outside the scope of allowable activities for the SILC to perform under Title VII of the Rehabilitation Act. MCB engages in approximately nine agreements in which the MI CILs pass some of the income they raised through this non-profit corporate arm of the MI SILC to MCB, to be used as a source of match for the Title I VR program. The funds were being passed through the SILC, at the direction of MCB, in order to meet the requirements of 34 CFR 361.28. MI

SILC claims it is not performing this pass-through duty with Title VII funds. The agreements set forth the MI CILs' expectation that the VR agency, in turn, would give Title I VR funds back to the CILs so they could continue to provide VR and IL program services.

Under Title VII, the SILC may use Federal funds only for the duties authorized under section 705 of the Act. The SILC can perform other activities, beyond those listed in section 705, so long as those activities are funded with non-Federal money and do not impair its ability to perform duties under section 705. Nothing in Title VII prohibits the SILC (either the Council itself or its non-profit fiduciary arm) from performing the activities described above – serving as a pass-through for CIL funds to MCB to be used as match for Title I VR funds – so long as this activity is not being supported by Federal funds. Because it is not Title VII Part B funds from MCB that the SILC is disbursing, but rather funds from CILs, this SILC activity does not infringe on MCB's non-delegable duty to disburse Title VII Part B funds.

MCB states that it has required the SILC to serve as the pass-through for CIL funds so that it could satisfy the requirements for having a third-party cooperative arrangement with another public agency to provide VR services under 34 CFR 361.28 of the VR regulations. Under such an arrangement, the other public agency provides some, or all, of the match for the VR services provided and: 1) the services must be provided only to VR consumers; 2) those services must be different than the usual services provided by that other public agency; and 3) the expenditures made and the staff providing those services must be under the administrative supervision of the VR agency.

The key problem with these agreements, for purposes, of the VR program, between the MI CILs, the MI SILC, and MCB, is that both the MI CILs and the non-profit fiduciary arm of the SILC performing this brokering duty are non-profit entities. They are not public agencies as defined under 34 CFR 77.1 and required by the VR regulations at 34 CFR 361.28. Moreover, even if the SILC, as the Council itself (rather than its non-profit fiduciary arm), could be considered a public agency under 34 CFR 77.1, the SILC does not provide VR services, as is required of the public cooperating agency pursuant to 34 CFR 361.28. Finally, the funds at issue under these agreements are CIL, not SILC, money. For all of these reasons, neither the CILs nor the SILC qualify as a public agency for purposes of the third-party cooperative arrangement requirements set forth at 34 CFR 361.28.

In addition to analyzing these agreements to determine whether they satisfied the requirements for third-party cooperative arrangements pursuant to 34 CFR 361.28, RSA reviewed the VR regulations at 34 CFR 361.60 to determine whether these agreements would satisfy the general matching requirements for the VR program. Private entities are allowed to provide contributions to the State VR agency, pursuant to 34 CFR 361.60(b)(3), for helping the VR agency satisfy its matching requirements. However, under 34 CFR 361.60(b)(3)(iii), the donor, or an entity with whom the donor shares a financial interest, cannot benefit from the financial contribution. In this case, the donor is ambiguous. An argument could be made that the donor is either the CILs that are providing the actual funds, or the SILC, that actually funnels the money to the VR agency. Regardless of which entity is deemed the donor, they both potentially could benefit from the contribution. The VR agency cannot first receive a contribution from the CILs (or the SILC) and then give the money back to the CILs via vendor payments for the provision of VR services to

VR consumers, unless the vendor payments were made pursuant to a grant or contract awarded under the State's regular competitive procedures, as provided for in 34 CFR 361.60(b)(3)(iii). It is RSA's understanding, however, that the agreements that have been worked out with the MI CILs, MI SILC, and MCB are not part of a competitive process; therefore, they would not comply with the requirements of 34 CFR 361.60. In order to comply with this provision, CILs would need to give the funds as an outright donation with no expected benefit in return.

Finally, the VR and IL program regulations at 34 CFR 361.63(c)(4) and 34 CFR 364.5(c)(3) prohibit program income from being used to meet the non-Federal share requirements of either the VR or IL program. In addition, under 34 CFR 80.24(b)(4), program income may not be used to satisfy a cost sharing or matching requirement, unless they are expressly permitted in the terms of the assistance agreement, which is not the case here. Although it is unknown what source of funds was used for these agreements, to the extent the funds used were directly generated by Title VII activities, they would constitute program income for CILs and would not be available to be used as match for either Title I VR or Title VII IL.

Corrective Action: MCB must:

- 1.1 cease reporting funds it receives from the CILs via the SILC for meeting its non-Federal share obligation of 21.3 percent of expenditures incurred under the VR program;
- 1.2 cease all agreements under which CILs are providing funds to the SILC, which in turn provides the funds to MCB as a source of match for the VR program;
- 1.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will not include as match for the VR program any certified expenditures from any agreement or cooperative program not meeting the requirements of 34 CFR 361.28 (third-party cooperative arrangements) or expenditures from other sources that do not comply with 34 CFR 361.60(b); and
- 1.4 complete and submit the following source of match spreadsheet entitled, "SILC/CIL Agreements," that provides summary information on the total amount of funds received by the SILC to provide match through these agreements and the total amount used by MCB for VR program match in FYs 2005 through 2009:

MCB SILC/CIL Agreements (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total funds received from SILC for match provided by CILs					
Total funds from these agreements used for match in specified FY					

Agency Response: MCB has ceased using CIL/SILC funds for VR match. These services will be provided through fee for services. Written assurance will be provided as requested.

MCB disagrees with RSA's determination that the cooperative arrangement between MCB and the SILC does not meet Federal regulations at 361.28. The SILC is a governmental entity which meets the requirements in both 361.28 and in 77.1. It is also permissible to have non-profit entities (e.g., CILs) in the cooperative arrangement as long as the cooperative arrangement is between the State VR agency and a government entity. MCB is not aware of any requirement which prohibits the non-profit entity from contributing the non-Federal matching funds and those funds flowing through the governmental entity (e.g., SILC).

MCB believes the SILC does qualify under 34 CFR 77.1 as a public "agency, organization or institution," even if it does not qualify as a "public agency" for purposes of 34 CFR 361.28. Establishment of a non-profit to serve as its fiduciary (and in the process support the statutorily required SILC independence from other state agencies or offices) does not change the inherent public nature of the Governor-appointed SILC and the activities it carries out.

With regard to the completion of the chart, as required by corrective action 1.4, MCB has limited staff and resources and cannot work on issues which go back to October 1, 2004 (beginning of FY 2005). The agency's highest priority is working on current issues. The documentation is available onsite for RSA reviewers.

RSA Response: The Finding is based on the fact that MCB had entered into third-party cooperative arrangements with the MI SILC and MI CILs to funnel funds to MCB for VR match purposes. In doing so, MCB failed to satisfy the requirements of 34 CFR 361.28 for the following reasons: 1) the CILs are non-profit entities, whereas 34 CFR 361.28 requires that the cooperating agency be a public agency; and 2) the SILC -- regardless of whether it could satisfy the definition of a public agency at 34 CFR 77.1(c) -- does not provide services to consumers as required of the public cooperating agency by 34 CFR 361.28. Because the agreements do not satisfy the requirements of a third-party cooperative arrangement at 34 CFR 361.28, the funds transferred by the CILs via the SILC to MCB may not be used for match purposes under the VR program. For this reason, the Finding stands. MCB stated that it has already ceased using funds from the CILs and SILC for VR match purposes (corrective action 1.1) and that it will submit the assurance required under corrective action 1.3. MCB also must cease all agreements between MCB, the SILC, and CILs for VR match purposes and complete the chart, as required by corrective actions 1.2 and 1.4, respectively. RSA will provide the TA, as needed, but will need MCB to be more specific as to the TA requested.

Technical Assistance: MCB requests TA on match issues.

2. Unallowable Certified Expenditures

Legal Requirements:

34 CFR 361.28 states that:

- (a) The designated State unit may enter into a third-party cooperative arrangement for providing or administering [VR] services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State unit ensures that—
 - (1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a VR focus or existing services that have been modified, adapted, expanded, or reconfigured to have a [VR] focus;
 - (2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;
 - (3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and
 - (4) All State plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program.
- (b) If a third-party cooperative agreement does not comply with the statewideness requirement in §361.25, the State unit must obtain a waiver of statewideness, in accordance with §361.26.

34 CFR 361.60 states, in pertinent part, that:

- (c) Federal share—(1) General. Except as provided in paragraphs (a)(2) of this section, the Federal share for expenditures made by the State under the State plan, including expenditures for the provision of [VR] services and the administration of the State plan, is 78.7 percent....
- (d) Non-Federal share—(1) General. Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under this section must be consistent with provisions of 34 CFR 80.24.
 - (4) Third party in-kind contributions. Third party in-kind contributions specified in 34 CFR 80.24(a)(2) may not be used to meet the non-Federal share under this section.
 - (5) Contributions by private entities. Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under this section if the funds are earmarked for –
 - (ii) Meeting in whole or in part the State's share for establishing a community rehabilitation program or constructing a particular facility for community rehabilitation program purposes;
 - (iii) Particular geographic areas within the State for any purpose under the State plan, other than those described in paragraph (b)(3)(i) of this section...; and

- (iii) Any other purpose under the State plan, provided the expenditures do not benefit in any way the donor, an individual to whom the donor is related by blood or marriage or with whom the donor has a close personal relationship, or an individual, entity, or organization with who the donor shares a financial interest....

Finding 2: In FY 2009, MCB entered into three agreements called “Certified Expenditure Agreements” with local school districts for the purpose of using expenditures incurred under these agreements for meeting its non-Federal share requirement for the VR program. The certified expenditures under these three agreements, totaling \$416,112, were for school staff, fringe benefits, supplies, and travel. The agreements were silent as to the services to be provided by the cooperating agencies and the consumers to be served; however, in practice, RSA was told by staff that the local school districts provided the same services under the agreements to their usual consumers that they customarily provide in the ordinary course of business. For example:

- Eaton Intermediate School District (ISD) transition staff informed RSA while onsite that the Orientation and Mobility (O&M) and Visual Impairment (VI) consultants provided the same services to all students with disabilities participating in the program – not just MCB consumers. According to the Eaton ISD transition staff, only 3 of the 11 students – 27 percent – receiving O&M consultation services under the cash match program were MCB consumers. Similarly, only 3 of the 17 students – 18 percent – receiving VI consultation services under the cash match agreements were MCB consumers. Although the written agreements indicated that MCB was not certifying any of the Eaton ISD staff’s time for match purposes, the Eaton ISD transition staff told RSA that MCB certified 100 percent of the O&M consultant’s salary and 50 percent of the VI consultant’s salary as providing services to MCB consumers.
- The agreement for Ingham ISD identified three individuals as certifying 100 percent of their time – totaling \$204, 946 – spent providing services exclusively to MCB consumers. However, according to a spreadsheet provided by MCB that spanned October 2008 through July 2009, one of the individuals providing services pursuant to the cash match agreement at Ingham ISD verified that she worked only 244.55 hours – 15.85 percent of the 1,533 total hours worked – in providing services to MCB consumers.

Finally, the various agreements stated that service providers under the agreements would be “technically supervised by” MCB and would comply with all requirements governing the VR program. According to MCB staff, the agency has engaged in these and similar agreements for several years.

In order for MCB to use expenditures incurred by another public agency for purposes of satisfying its non-Federal share of 21.3 percent of the expenditures under the State Plan, the non-Federal expenditures must be incurred by the cooperating agency pursuant to a valid third-party cooperative arrangement that meets the requirements of 34 CFR 361.28. In particular, the regulations require: 1) the services be new services, not customarily provided by the agency, or expanded services with a VR focus; 2) the services be provided only to VR applicants or eligible consumers; 3) the VR agency maintain supervisory control over the expenditures and staff providing the services; and 4) all State Plan requirements be met.

The three agreements between MCB and local school districts failed to comply with Federal requirements governing third-party cooperative arrangements for several reasons. First, as stated above, the agreements were silent as to the individuals to be served and the services to be provided under the agreements. Due to the lack of specification in the agreements, RSA learned from transition staff in the school districts that the school districts continued to provide their customary services to their usual consumer population, not VR services to VR consumers, under these agreements, in violation of 34 CFR 361.28(a)(1) and (2). Although MCB consumers were among those served under the agreements, they were a small minority of the individuals receiving the services. Federal regulations require that the services provided under the cooperative agreements must be provided only to VR consumers (34 CFR 361.28(a)(2)). Second, MCB did not supervise the expenditures incurred or the staff providing services under the agreements, as required by the language of the agreements and 34 CFR 361.28(a)(3). For example, MCB could not verify the number of hours staff worked, the tasks performed, or the actual expenditures incurred under the agreements. In a spreadsheet provided by MCB, it is clear that the staff providing the services under the Ingham agreement spent very little time serving MCB consumers as compared to other students with disabilities, yet MCB accepted the staff's certification that they spent 100 percent of their time serving MCB consumers. Third, the school districts failed to meet the State Plan requirements, as required by 34 CFR 361.28(a)(4), by not providing VR services to VR consumers. Expenditures incurred under the VR State plan must be solely for the provision of VR services and the administration of the VR program (34 CFR 361.3). For the foregoing reasons, these agreements do not comply with 34 CFR 361.28; therefore, the non-Federal expenditures incurred under these agreements are not eligible sources of match for MCB under the VR program.

In addition, upon reviewing the three agreements and supporting documentation, RSA learned that MCB was using third-party in-kind contributions as a source of match. For example, the MCB certified \$16,000 and \$12,300 in supplies and travel expenditures incurred by Eaton ISD and Ingham ISD, respectively, for match purposes under the VR program. MCB's use of in-kind contributions violated 34 CFR 361.60(b)(2), which prohibits the use of third-party in-kind donations for match purposes under the VR program.

Corrective Action: MCB must:

- 2.1 cease reporting non-Federal expenditures as match funds under the VR program when those non-Federal expenditures fail to comply with 34 CFR 361.28 or 34 CFR 361.60(b);
- 2.2 amend those agreements that will be used by MCB as a source of non-Federal expenditures for meeting its non-Federal share obligation under the VR program to ensure they comply with 34 CFR 361.28;
- 2.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that: 1) all future third-party agreements, for purposes of meeting MCB's non-Federal share under the VR program, will comply with 34 CFR 361.28; and 2) MCB will not use in-kind contributions for meeting its non-Federal share under the VR program in accordance with 34 CFR 361.60(b); and
- 2.4 complete and submit the following source of match spreadsheet entitled, "Certified Expenditure Agreements," that provides summary information on the total amount of

certified funds MCB received from the public agencies through these agreements and the total amount used by MCB for VR program match in FYs 2005 through 2009:

Certified Expenditure Agreements (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total certified funds MCB received from public entities for match					
Total certified funds from these agreements used for match in specified FY					
Total certified funds from the agreements, incurred in the provision of allowable services to eligible individuals in accordance with 34 CFR 361.28, used for match in specified FY					

- 2.5 MCB must submit written documentation to support the amount of certified expenditures reported in the above chart as being allowable under the VR program. The supporting documentation must demonstrate that the expenditures were incurred during the provision of allowable VR services to MCB consumers.

Agency Response: MCB's match procedures are based on prior RSA consultation and reviews and MCB has historical documentation to support this claim. MCB disagrees with the RSA finding that the three agreements between MCB and the local school districts (Certified Expenditure Agreements) are unallowable certified expenditures. It is our determination that these agreements fully meet the requirements of 361.28. The services provided in these three agreements were not the usual services of the school districts.

MCB disagrees with the RSA statement that MCB did not supervise the expenditures incurred or the staff providing services under the agreement. MCB's blended staff is supervised by the manager within the region. The time sheets for the personnel that provided services for MCB's consumers under the certified match agreements are housed at the ISD district offices. The certified agreements that are signed by the school personnel identify the specific instructional time provided to MCB's consumers. Copies of the agreements are attached indicating the supervision by the MCB staff. MCB meets with the staff bi-monthly to review progress of the

program, as well as to discuss with the staff the objectives of the specific individualized programs. The ISD staff that are identified in the agreements are the ones that provide the instructions for the consumers in their expanded curriculum relating to career exploration, vocational information, comprehensive mobility instructions, work readiness skill training, job placement services, including job coaching, when necessary, and job follow along services. These agreements also provide pre-employment activities, which includes resume development, job shadowing, and mentoring during the summer months. These services are provided to eligible MCB consumers.

With regard to completion of the chart as required by corrective action 2.4 above, MCB has limited staff and resources and cannot work on issues which go back to October 1, 2004 (beginning of FY 2005). The agency's highest priority is working on current issues. The documentation is available onsite for RSA reviewers.

RSA Response: RSA has re-reviewed the three agreements in light of MCB's comments. While RSA understands that MCB disagrees with the RSA statement that MCB did not supervise the expenditures incurred or the staff providing services under the agreement, the problem is that neither the three one-page agreements – which were ambiguous as to the supervision MCB would provide -- nor our conversations with staff from those cooperating agencies while onsite support MCB's claim. Furthermore, even if MCB could document that it supervised the expenditures incurred and the staff providing the VR services under the agreements, as required by 34 CFR 361.28(a)(3), the agreements still failed to satisfy the other requirements for a third-party cooperative arrangement at 34 CFR 361.28(a)(1), (2), and (4). Most importantly, the information that RSA learned onsite, as described in this Finding, indicates that the services provided under the third-party cooperative agreements – O&M and VI consultations – were the same services provided to all students with disabilities. In fact, only 27 percent and 18 percent of the students participating in the O&M and VI consultations, respectively, were MCB consumers. Furthermore, the spreadsheet MCB provided shows one of the staff persons only provided services to MCB consumers 15.85 percent of her time, yet 100 percent of her salary was certified as non-Federal expenditures for match purposes. Allowable expenditures under the VR State Plan must be solely for the provision of VR services to eligible consumers or the administration of the VR program (34 CFR 361.3). Providing services to non-consumers is not an allowable expense under the VR program. Given that MCB did not supply documentation to support its claim that the school districts provided only new or modified VR services to MCB consumers exclusively in accordance with the requirements set forth at 34 CFR 361.28, the Finding stands and corrective actions must be taken.

In addition to re-reviewing the agreements, we also reviewed a letter written in April 1996 by the then RSA Regional Commissioner regarding the certified staffing agreements. While the letter did not express concerns about the certified agreements as they existed at that time, the letter was based on third-party cooperative arrangement legal requirements that existed in 1996. Those regulatory requirements changed in 1997, the year after the letter was written, and have remained virtually unchanged since then. With regard to the issue of in-kind contributions discussed in that same letter, the information provided by the regional office did not accurately reflect the legal requirements that existed then and now. RSA has always maintained the position that third-party in-kind contributions are not an allowable source of match under the VR program

even though they are allowable under EDGAR (see 60 Fed. Reg. 64475, 64494 (December 15, 1995) and 62 Fed. Reg. 6308, 6333 (February 11, 1997)). Although the prohibition for using third-party in-kind contributions as a VR match source was found in a different regulatory provision (34 CFR 361.24(c)) in 1996 then its current provision (34 CFR 361.60(b)(2)), the prohibition has remained virtually unchanged over the years.

MCB still must complete the corrective actions outlined above. In light of the fact that more facts are needed to determine the amount of certified staff expenditures that would be deemed allowable under the VR program, we have revised the chart that MCB must complete, pursuant to corrective action 2.4. The revised chart not only asks for the amount of certified staff expenditures MCB is counting towards its VR match requirement per year, but also asks MCB to determine the amount of those expenditures that it believes were incurred in the provision of allowable services to eligible individuals in accordance with 34 CFR 361.28. MCB also must submit supporting documentation as evidence of the amount of certified expenditures it reports in the chart as being allowable under the VR program (corrective action 2.5). The chart also asks MCB to determine the amount of in-kind contributions it used, per fiscal year, for VR match purposes. RSA will provide the specific TA requested as needed. RSA requests that MCB be more specific about the TA it needs.

Technical Assistance: MCB requests clarification on services to applicants vs. eligible consumers and allowable outreach activities.

3. Assigning Personnel Costs

Legal Requirements:

OMB Circular A-87, Attachment B (2 CFR Part 225, Appendix B):

- 8.h.4 Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) ... Such documentary support will be required where employees work on: (a) more than one federal award; and (b) A federal award and a non-federal award.
- 8.h.5 Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be signed by the employee; and (d) budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes.

Finding 3: MCB is not in compliance with OMB Circular A-87, Attachment B, sections 8.h.4 and 8.h.5, because MCB's time distribution methodologies and personnel activity reports for those staff performing duties benefiting more than one federal grant program or cost objective do not accurately reflect the time spent on each program. RSA's review disclosed that administrative salaries are charged to the VR program based on predetermined budgeted amounts that are not adjusted to the actual distribution of time and salaries worked on each cost objective.

As a result, a disproportionate share of personnel costs for administering the OIB program is borne by the VR program.

Additionally, IL program costs associated with the MCBTC are borne by the VR program. Although the funding for the VR program represents the greatest share of the agency's funding, the practice of assigning all personnel costs to the VR program because of limited funding in other programs is not in accordance with cost principles outlined in OMB Circular A-87. Since the VR program does not receive 100 percent of the benefit of funds expended for operating MCBTC, the VR program can only be allocated an equitable portion of MCBTC's costs.

Corrective Action: MCB must:

- 3.1 cease using Title I funds for personnel costs that do not have supporting documentation as required under OMB Circular A-87, Attachment B, 8.h.4 and 8.h.5;
- 3.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with OMB Circular A-87, Attachment B, 8.h.4 and 8.h.5; and
- 3.3 submit a plan, including timeline, describing the corrective actions that will be taken to ensure:
 - a) personnel activity reports are maintained to support the allocation of an equitable portion of personnel costs for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and
 - b) personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by MCB (excluding the SE program under Title VI-B, which can legally be charged to the VR program).

Agency Response: MCB has implemented new time sheets that require all staff to delineate time spent working on a particular program. Staff and management must provide electronic approval or manual signatures certifying time. The implementation of the new time sheets provide the supporting documentation required under OMB Circular A-87, Attachment B, 8.h.4 and 8.h.5 for assigning personnel costs.

MCB has already addressed the corrective action by developing and implementing new bi-weekly time sheets with signature required by employees and their managers that verify time spent on a particular program. This new process has been undertaken to ensure:

- a) personnel activity reports are maintained to support the allocation of an equitable portion of personnel costs for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and
- b) personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by MCB (excluding the SE program under Title VI-B, which can legally be charged to the VR program).

RSA Response: RSA appreciates the steps MCB has taken to address the corrective actions outlined above. MCB still needs to submit the assurance required by corrective action 3.2 above.

Technical Assistance: None requested at this time.

4. Periodic Certification

Legal Requirement:

OMB Circular A-87, Attachment B (2 CFR Part 225, Appendix B):

8.h.3: Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Finding 4: MCB is not in compliance with OMB Circular A-87, Attachment B, 8.h.3 because the agency has not conducted periodic certifications for employees working solely on one federal grant program or cost objective. To comply, employees or their supervisors are required to certify, at least semi-annually, that the employee worked solely on one grant program, or cost objective, during the period covered by the certification.

Corrective Action: MCB must:

- 4.1 cease using Title I funds for personnel costs that do not have personnel certifications as required under OMB Circular A-87, Attachment B, 8.h.3;
- 4.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with OMB Circular A-87, Attachment B, 8.h.3; and
- 4.3 develop and submit policies/procedures that ensure, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement in OMB Circular A-87, Attachment B, 8.h.3.

Agency Response: MCB is now in compliance with OMB Circular A-87, Attachment B, 8.h.3 by having implemented signed semi-annual certifications for all personnel that work solely on one grant program. MCB will not use Title I funds for personnel costs that do not have such personnel certifications for the current and all future fiscal years. Although MCB did not have semi-annual certifications for previous years, it can still provide sufficient supporting documentation for personnel working on only one grant program through position descriptions, work products, and other miscellaneous forms of documentation.

MCB has established procedures that ensure, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement in OMB Circular A-87, Attachment B, 8.h.3.

RSA Response: RSA appreciates the actions MCB has undertaken to address this compliance issue. MCB still must submit the policies and procedures that MCB has developed to ensure compliance, as required by corrective action 4.3 above.

Technical Assistance: None requested at this time.

5. Youth Low Vision Program Match

Legal Requirements:

Section 100(a)(2) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), and 34 CFR 361.1 of its implementing regulations establish that the purpose of the VR program is to provide services to individuals with disabilities so that they may achieve an employment outcome that is consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

Section 103(a) of the Rehabilitation Act and 34 CFR 361.48 of its implementing regulations authorize the VR agency to provide VR services to eligible individuals so long as those services are necessary for the individual to achieve an employment outcome and are listed on the individual's Individualized Plan for Employment.

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 of its implementing regulations require that Title I VR program funds be used solely to cover the costs of providing VR services and administering the VR program.

34 CFR 361.60(b)(1) states:

Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under this section must be consistent with the provisions of 34 CFR 80.24.

34 CFR 80.24(a)(1), in pertinent part, states:

...a matching or cost sharing requirement may be satisfied by either or both of the following: (1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-Federal grants or by other cash donations from non-Federal third parties....

OMB Circular A-87, Attachment A, in pertinent part, states:

C.1. Factors affecting the allowability of costs. To be *allowable* under federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for the proper and efficient performance and administration of Federal awards; and
- b. Be allocable to Federal awards under the provisions of this Circular....

C.3.a A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding 5: For more than 20 years, MCB has administered the YLVP, a State-funded program that provides specialized and individualized optometric evaluations, glasses, and other low vision devices for children from infancy to age 26 who meet certain visual criteria. Teacher Consultants for visually-impaired individuals at ISDs make the referrals to MCB. The agency then authorizes individualized low-vision examinations with licensed optometrists and ophthalmologists throughout the State. Depending upon the results of the examinations, MCB

will authorize the purchase of individually-prescribed low-vision eyewear and devices. YLVP services are available to individuals every other school year up to the age of 26. YLVP typically provides 250 specialized examinations and 350 individually-prescribed low-vision aids and devices each year, thus enabling children and students to participate in school and other activities.

Although MCB has historically operated YLVP separate from the VR program, in recent years MCB has begun using State funds expended under the YLVP to meet its non-Federal share for the VR program. MCB reports it used \$240,000 in non-Federal expenditures for the YLVP as match to draw down \$886,761 in Federal VR funds in FY 2008.

Federal regulations governing the VR program require MCB to use non-Federal expenditures for carrying out the VR program to meet its non-Federal share of 21.3 percent of the expenditures under the State Plan (34 CFR 361.60(b)(1)). These expenditures must be for allowable VR program costs (34 CFR 80.24(a)(1)). Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that VR funds be spent solely on expenditures incurred in providing VR services or administering the VR program. Allowable VR services are those provided to an eligible individual, pursuant to an IPE, and necessary for that individual to achieve an employment outcome (section 103(a) of the Rehabilitation Act and 34 CFR 361.48; see also OMB Circular A-87, Attachment A, C.1.a and C.3.a).

Given the age range served by the YLVP, it is possible that some of the individuals served under that program, especially those nearing high school graduation through age 26, are also consumers of the VR program. For these individuals, individually-prescribed low vision aids and devices are services that MCB could provide under the VR program so long as those services are listed on the IPE as necessary for the individual to achieve an employment outcome (section 103(a)(6) of the Rehabilitation Act and 34 CFR 361.48(e)). Therefore, YLVP expenditures for individually-prescribed low vision aids and devices provided to VR consumers, pursuant to an approved IPE, would be allowable under the VR program and would be consistent with the cost principles set forth at OMB Circular A-87, Attachment A, C.1 and C.3. As such, these expenditures could be used for meeting the State's non-Federal share obligation under the VR program. However, it is RSA's understanding that very few, if any, of the individuals served by YLVP are VR consumers. To the extent YLVP services are provided to non-VR consumers they are not allowable under the VR program and, therefore, may not be used for meeting the State's non-Federal share under the VR program (section 103(a) of the Rehabilitation Act, 34 CFR 361.48, 361.60(b)(1), and 34 CFR 80.24(a)(1)). Furthermore, such expenditures would not be considered allowable under the Federal cost principles because they were not necessary for the administration of the VR program since the services were not provided to MCB consumers. Instead, the costs incurred would be considered necessary for the YLVP since the services were YLVP services provided to YLVP consumers. As described further in the corrective actions, RSA needs further information to determine what portion, if any, of the \$240,000 MCB reported as match funds in FY 2008 constituted allowable expenditures under the VR program – expenditures to provide services to VR consumers pursuant to an approved IPE.

Corrective Action 5: MCB must:

- 5.1 cease using non-Federal expenditures incurred under the YLVP for meeting the non-Federal share requirement under the VR program, when those services are provided to individuals who are not VR consumers or who do not require those services according to their IPE in order to achieve an employment outcome;
- 5.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with Federal requirements to ensure that VR funds are used solely to provide VR services to eligible consumers or administer the VR program, and that non-Federal expenditures used for match purposes will be only those allowable under the VR program; and
- 5.3 complete and submit the following source of match spreadsheet entitled, “Youth Low Vision Services Program,” that provides summary information on the total amount of State funds MCB received from the YLVP and the total amount used by MCB for meeting the non-Federal share of the VR program in FYs 2005 through 2009:

Youth Low Vision Services Program (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total funds MCB received from this program for match					
Total funds from this program used for match in specified FY					
Total funds from this program, in the provision of allowable services to VR-eligible individuals in accordance with their approved IPEs, used for match in specified FY					

Agency Response: MCB disagrees with RSA’s finding that MCB should cease using non-Federal expenditures incurred under the YLVP for meeting the non-Federal share requirement under the VR program. MCB believes that RSA is basing its determination on an extremely narrow and inaccurate interpretation of Federal statute. MCB believes the costs in the YLVP are both necessary and reasonable for the YLVP. RSA fails to justify that these costs are not necessary and reasonable.

MCB has reviewed its practices of utilizing these funds to capture federal funds. MCB believes these services are consistent with section 103(b)(2)(B) of the Rehabilitation Act – VR services

for groups of individuals, which allows for the provision of other services that promise to contribute substantially to the rehabilitation of a group of individuals but that are not related directly to the IPE of any one individual with a disability. MCB also uses these funds in the provision of outreach services and vocational exploration and training for transitioning students.

With regard to completion of the chart, as required by corrective action 5.3, MCB has limited staff and resources and cannot work on issues which go back to October 1, 2004 (beginning of FY 2005). The agency's highest priority is working on current issues. The documentation is available onsite for RSA reviewers.

RSA Response: RSA is not persuaded by MCB's assertion that YLVP services are allowable under the VR program, pursuant to section 103(b)(2)(B) of the Rehabilitation Act and 34 CFR 361.49(a)(6), as a service to groups, or MCB's assertion that non-Federal expenditures incurred under the YLVP may be used for satisfying MCB's match requirements under the Title I VR program. The services to groups provision in both the Rehabilitation Act and VR regulations pertains to those services that benefit a group of individuals as a whole – not individuals within a class or group of individuals. According to the facts outlined above, and which MCB did not dispute, the YLVP provides specialized eye exams, glasses, and specialized low vision aids to individuals who fit within a group comprised of visually-impaired individuals aged infant to 26. These are clearly individualized services designed to improve the specific visual impairments of each of those individuals. These types of services are separate and distinct from those VR services that benefit groups, such as specialized telecommunications services that improve access to VR services for a group of consumers or the purchase of a bus to transport groups of consumers to a training center.

In addition, Federal regulations governing the VR program require MCB to use non-Federal expenditures for carrying out the VR program to meet its non-Federal share of 21.3 percent of the expenditures under the State Plan (34 CFR 361.60(b)(1)). These expenditures must be for allowable VR program costs (34 CFR 80.24(a)(1)). Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that VR funds be spent solely on expenditures incurred in providing VR services or administering the VR program. The YLVP services do not constitute a service to groups under the VR program (section 103(b) of the Rehabilitation Act and 34 CFR 361.49), but it may have been possible for some of the expenditures to qualify for match purposes had they been provided to eligible VR consumers pursuant to an agreed-upon IPE. MCB, however, did not assert any facts to support that these were allowable VR services to eligible individual VR consumers in accordance with their IPEs. In fact, MCB alleged that these were solely services to groups, which they are not.

In separate communication, MCB claimed that the RSA Region 5 office had approved the use of YLVP expenditures for meeting MCB's VR match requirements. RSA has reviewed an email exchange between MCB and the RSA Region 5 office, which existed at that time, dated April 26, 2004 and May 7, 2004. The MCB incoming communication simply stated that the State had appropriated \$250,000 for the provision of low vision services to visually-impaired youth to assist them in transition and that MCB planned to use those funds towards satisfying its VR match requirement. MCB did not provide specifics as to the population to be served or whether those individuals would be MCB consumers with approved IPEs in place that identified these as

needed services. The RSA response was extremely short and provided no analysis for how MCB's proposal complied with Federal requirements. RSA presumes that the then regional office staff's response was given with the expectation that the expenditures incurred would be for allowable services to individuals determined eligible for MCB VR services and provided in accordance with approved IPEs. In order to be an allowable source of match, the non-Federal expenditures must be for allowable services to eligible individuals (34 CFR 361.60(b)(1)).

As stated previously, to the extent that the YLVP services were provided to VR-eligible consumers in accordance with approved IPEs, those services would be allowable and could be used towards satisfying MCB's VR match requirement. To the extent that the services were provided to individuals who had not been determined eligible for MCB VR services and did not have approved IPEs in place, those expenditures would not be allowable under the VR program and would not be able to be used towards satisfying MCB's VR match requirement. For this reason, the Finding stands and MCB must complete the corrective actions outlined above. In recognition that some of the expenditures may be allowable, we have modified the chart that MCB must complete. The revised chart not only asks MCB to provide the amount of YLVP funds received by MCB and used for VR match purposes per year, but also asks MCB to determine the amount of those funds used to provide allowable services to VR-eligible individuals in accordance with their approved IPEs. This will enable RSA to determine the amount of these expenditures that may have been allowable and eligible to be used as a source of VR match.

Technical Assistance: None requested at this time.

6. Unallowable Source of Non-Federal Funds – Benefits to Private Donor

Legal Requirement:

34 CFR 361.60(b)(3) states, in pertinent part:

Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under this section if the funds are earmarked for—...

- (iii) Any other purpose under the State plan, provided the expenditures do not benefit in any way the donor....The Secretary does not consider a donor's receipt from the State unit of a grant, subgrant, or contract with funds allotted under this part to be a benefit for purposes of this paragraph if the grant, subgrant, or contract is awarded under the State's regular competitive procedures.

Finding 6: MCB has entered into many agreements, known as "cash match agreements," with local school districts in MI for the purpose of providing non-Federal match funds for the VR program. One of these "cash match" agreements is with the Macomb ISD. The Macomb ISD receives \$9,000 in funds earmarked as match funds for the VR program from New Horizons, a local private CRP. New Horizons provides job placement services to MCB's eligible consumers

as a fee-for-service vendor. Thus, New Horizons gives the Macomb ISD \$9,000 to give to MCB for non-Federal match purposes; MCB, in turn, pays New Horizons to provide VR services.

Federal regulations governing the VR program permit private entities, such as New Horizons, to contribute funds to a State VR agency to assist it in satisfying its non-Federal share requirements so long as the donor does not benefit from the expenditure of those funds (34 CFR 361.60(b)(3)). In this case, New Horizons benefits directly from the expenditures of its donated funds because MCB, in turn, pays New Horizons to provide VR services on a fee-for-service basis rather than under a contract awarded under the State's regular competitive process. Accordingly, MCB has failed to comply with the requirements of 34 CFR 361.60(b)(3) for the use of contributions from private entities for matching purposes.

Corrective Action: MCB must:

- 6.1 cease using Title I funds, including the match funds it receives from New Horizons for match purposes, in a manner that inappropriately benefits New Horizons as required by 34 CFR 361.60(b)(3);
- 6.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will no longer use Title I VR funds and its matching funds to benefit private donors of those matching funds;
- 6.3 develop and implement policies and procedures to prohibit reversion of funds to benefit private donors; and
- 6.4 complete and submit the following source of match spreadsheet entitled, "Macomb ISD Cash Match/New Horizons," that provides summary information on the total amount of funds Macomb ISD received from New Horizons for match, and the total amount used by MCB for State VR Services Program match in FYs 2005 through 2009:

Macomb ISD Cash Match/New Horizons (FYs 2005 through 2009)					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total funds Macomb ISD received from New Horizons for match					
Total funds from this program MCB used for match in specified FY					

Agency Response: Based on the review of 34 CFR 361.60(b)(3), MCB has ceased a possible "reversion to donor" practice in regards to the Macomb Cash Match Agreement. MCB understands that the CRP must not receive a benefit from their contributions; although, the vendor provides the funds to the ISD to be used in ways that could assist all transition students. Therefore, any and all transition students could benefit. MCB also maintains that there was no substantial harm to the Federal interest with the Macomb Cash Match agreement.

With regard to completion of the chart as required by corrective action 6.2 above, MCB has limited staff and resources and cannot work on issues which go back to October 1, 2004 (beginning of FY 2005). The agency's highest priority is working on current issues. The documentation is available onsite for RSA reviewers.

RSA Response: RSA appreciates the fact that MCB has ceased the "reversion to donor" practice described above. Given that MCB does not refute the Finding, MCB must complete the corrective actions 6.2 through 6.4 outlined above.

Technical Assistance: None requested at this time.

7. Financial Reporting

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.40(b)(1) states:

Grantees shall submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports...Annual reports shall be due 90 days after the grant year, quarterly or semi-annual reports shall be due 30 days after the reporting period. The final performance report will be due 90 days after the expiration or termination of grant support

Finding 7: MCB is not in compliance with 34 CFR 361.12 and 34 CFR 80.40(b)(1), because MCB failed to submit accurate required financial and statistical reports. RSA requires that agencies submit VR program Financial Status Reports (SF-269), the Annual Vocational Rehabilitation Program/Cost Report (RSA-2), and the Report of Vending Facility Program (RSA-15). A review of MCB's reports revealed reporting errors. In addition, RSA found that there are no internal checks and balances to verify the accuracy of financial information on each report, and the information on different reports conflict. To illustrate this point, financial staff from the DSA, DELEG, are responsible for preparing the SF-269, and submit the reports to RSA prior to review by MCB financial staff. Reporting errors include:

- costs currently reported in the public CRP category should be reported under the private CRP category (RSA-2);
- indirect costs reported on the fourth quarter SF-269 (\$285,000) were not accurately reflected on the RSA-2 (\$65,530);
- costs associated with MCBTC were reported as administrative costs and not properly recorded in the Employed at Agency Operated CRPs – Other Services category (RSA-2);

- VR counselors employed at agency-operated CRPs were reported in the category for field office counselors;
- expenditures reported for the YLVP are recorded on the SF-269 as non-Federal expenditures and used for match, whereas this is a state-funded program that is separate and distinct from the VR program (see Finding 5 above);
- rent, retirement and healthcare costs (vendor benefits) in excess of \$2 million are included as part of the expenditures for the BEP program included on the RSA-2 report; and
- allowable expenditures for BEP management services and supervision were not included on the RSA-15 report.

Corrective Action: MCB must:

- 7.1 cease submitting inaccurate financial and statistical reports as required by 34 CFR 361.12;
- 7.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will ensure the accuracy of future financial and statistical reports submitted on behalf of the VR program; and
- 7.3 submit a plan, including timeline, describing the internal controls that will be implemented to ensure the accuracy of the financial reports.

Agency Response: With regard to the first bullet above, this particular observation was raised because there were a couple of vendors that were coded to the wrong types of services. MCB corrected the service types to properly reflect private services rather than public services.

With regard to the second bullet above, MCB needs verification from RSA on how to account for indirect costs. MCB indirect costs for the fourth quarter were accurately reported as \$285,000 on the SF-269. However, DELEG only provided MCB \$65,530 as allowable expenses for indirect as that was the only funding submitted to Department of Management and Budget (DMB) for indirect costs; the remainder was offset by allowable costs not required to be sent to DMB (workers' comp payments and employee retirement payout costs). The RSA-2 instructions for reporting indirect costs states the following "Enter the total amount of funds expended for administrative costs claimed through an approved Indirect Cost (I/C) Agreement or Cost Allocation Plan. This amount also includes such costs claimed under the Title VI-B program and reflected on line 1a." The \$65,530 reported by MCB on the RSA-2 was the amount the Department considered the amount expended for administrative costs. The entire amount was included on the RSA-2 report with the amount of indirect cost sent to the MI DMB for indirect costs. The remainder was used for allowable staffing cost for retirement and workers' compensation payouts.

With regard to the third bullet above, MCB reported MCBTC Cost as "Other Services Public Community Rehabilitation Programs" on the RSA-2 report through FY 2002. However, prior to submitting the FY 2003 RSA-2, RSA advised MCB that MCBTC costs should no longer be listed as "Other Services – Public Community Rehabilitation Programs" on the RSA 2 but rather as "Administrative Costs." At that time, the MCBTC was considered more of a personal adjustment center. Since that time MCBTC has emerged to focus more on VR rather than

personal adjustment and can now be considered a CRP. MCB will make the adjustment on all future RSA-2s.

With regard to the fourth bullet above, the reason this was reported in the field office category was due to the determination in 2002 that MCBTC's core functions were that of a personal adjustment center rather than a CRP. Now that MCBTC can be considered a CRP (see above), MCB will make the adjustment on all future RSA-2s.

With regard to the fifth bullet above, YLVP expenditures were incorrectly coded on the SF-269. MCB believes YLVP expenditures should be included in VR and Transition Expenditures, as well as services to groups (see our comments to previous finding).

With regard to the sixth bullet above, the instructions on the RSA-2 include the following for the BEP: "Enter the total amount expended for the Business Enterprise Program (e.g., Randolph-Sheppard). The Business Enterprise Program is the program in which persons who are blind operate vending facilities or other small businesses. Include in this total the expenditures for management services and supervision, initial stock and supplies, and other goods and services, as well as the operational costs of a small business enterprise during its initial establishment period, not to exceed six months." MCB interpreted the statement "total amount expended" for the BEP to include both State and Federal funding. We could not find any instructions to indicate that the amount spent for BEP rent and retirement should not be included in the total for BEP expenditures.

MCB disagrees with most of the required corrective actions. MCB believes that the RSA-15 and the SF-269 should not be included in this finding since RSA did not identify many errors in these reports. MCB has always worked with and received guidance from RSA regarding questioned entries for financial and statistical reports. MCB will continue to work with RSA to ensure reporting is accurate and in accordance with the requirements of 34 CFR 361.12.

MCB has always done its best to provide accurate reporting to RSA. The RSA-2 is the most ambiguous reporting instrument required to be completed by VR agencies. The current RSA-2 Reporting Instructions require that spending from two separate programs be combined (VR and SE). It combines spending from two separate years (carryover funds from proceeding year). It has subtotals that do not equal the total. It cannot be fully reconciled with the SF-269 Report. In addition, conflicting information from RSA staff have added to the confusion. MCB believes that most of the reporting issues can be resolved with written TA from RSA regarding the questions surrounding several reporting categories and improved reporting instrument instructions. In addition, MCB has requested that DELEG provide MCB copies of the SF-269 for approval prior to submission to RSA.

RSA Response: RSA appreciates the efforts MCB has undertaken thus far to ensure that accurate reports are submitted to RSA in the future. RSA's position on MCB's use of YLVP expenditures for VR match purposes is discussed in detail in Finding 5 above and will not be reiterated here. However, to the extent that those expenditures were unallowable under the VR program (as described earlier), they should not be reported on financial and statistical reports related to the VR program. Finally, because MCB did not refute the Finding, MCB still must

complete corrective actions 7.2 and 7.3 outlined above. RSA will provide whatever TA MCB needs to bring itself into compliance. RSA will need more specific information from MCB regarding the TA it needs, especially with regard to the development of the corrective action plan.

Technical Assistance: MCB needs TA regarding:

1. the reporting of indirect costs and the use of indirect costs for match purposes under the VR program;
2. what costs were allegedly not included on the RSA-15 and for what reporting period; and
3. the development of the requested corrective action plan to ensure that all aspects of the expected plan are addressed.

8. Unallowable Costs – MOPIX

Legal Requirements:

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that allowable expenditures made with Title I VR funds must be for providing VR services to eligible consumers or administering the VR program.

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20 of EDGAR, in pertinent part, requires that:

- (a) A state must [expend] and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: ...
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.22 requires States to use the Federal cost principles set forth in OMB Circular A-87 for determining allowability of costs.

OMB Circular A-87, Attachment A, section C states, in pertinent part:

1. To be allowable under Federal awards, costs must meet the following general criteria: ...
- b. Be allocable to Federal awards under the provisions of this Circular....
- 3.a. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding 8: MCB is not in compliance with section 111(a)(1) of the Act, 34 CFR 361.12, 34 CFR 80.20(a)(2), and OMB Circular A-87, Attachment A, section C, because it has expended \$2,500 in I&E funds, pursuant to section 101(a)(18) of the Rehabilitation Act, under the VR program on an unallowable activity entitled the MOPIX program. While onsite, RSA learned that MCB has been providing VR funds for MOPIX, a technology implemented at public movie theaters that provides closed captioning and descriptive narration for individuals who are blind or deaf.

In order to be an allowable expenditure under the VR program, the expenditure must be incurred in the provision of VR services or the administration of the VR program (section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3). Allowable services under the VR program are those listed on an individual's IPE as being necessary to achieve an employment outcome, or those that will benefit a group of individuals in terms of improving their ability to receive VR services (see 34 CFR 361.5(b)(58), 34 CFR 361.48, and 34 CFR 361.49). The Federal cost principles require that an expenditure is allocable to a Federal program in accordance with the relative benefit received by the program (OMB Circular, A-87, Attachment A, C.3.a.). While onsite, RSA discussed the MOPIX program with the MCB director in more detail. During those discussions, the director indicated that the project is a recreational activity, not an employment-related activity in support of vocational goals. The director indicated that MCBTI students would take advantage of the MOPX technology at the theaters during outings. Given the recreational – not the vocational – nature of the MOPIX, this activity would not fit the definition of a VR service at 34 CFR 361.5(b)(58) or within the parameters of 34 CFR 361.49(a)(3) for VR services to groups. Activities that benefit individuals with disabilities' access to recreation are funded under another Rehabilitation Act program, and are not allocable to the VR program. As such, the MOPIX program does not constitute an allowable VR program expenditure.

Corrective Action 8: MCB must:

- 8.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that VR funds will be used solely for allowable expenditures and in accordance with all program and administrative requirements, as required by section 111(A)(1) of the Rehabilitation Act, 34 CFR 361.12, 34 CFR 80.20, and the cost principles set forth at OMB Circular A-87; and
- 8.2 cease using VR program funds, including I & E funds or services to groups, to fund the MOPIX program or other recreation-focused activities.

Agency Response: In the future MCB will not make I&E expenditures for purely recreational activities, but will ensure that expenditures such as the MOPIX project will be coded correctly as Services to Groups under CFR 361.49(3).

RSA Response: The MOPIX activity should not be coded as a VR service to groups, pursuant to 34 CFR 361.49. The MOPIX activity, as stated in the Finding, is a recreation-focused activity – not a VR activity. The MOPIX activity assists individuals with disabilities to access movies in public theaters. This does not assist a group of individuals with disabilities to achieve an employment outcome or access VR services. As stated previously, VR funds must be spent for allowable expenditures under the VR program, namely the provision of VR services that enables individuals with disabilities to achieve an employment outcome, or the administration of the VR

program. Assisting individuals to access public movies enables individuals to access recreation activities, not employment. For these reasons, the finding stands and MCB must complete the corrective actions outlined above.

Technical Assistance: None requested at this time.

VR, SE, IL, and OIB Fiscal Issues for Further Review

RSA plans on conducting further review of the following VR, SE, IL, and OIB fiscal issues:

- compliance with VR program match, MOE, and carryover requirements applicable to FYs 2005 through 2009;
- verification of RSA-2 report data that is being corrected as a result of TA provided by RSA during the on-site review; and
- use of possible indirect cost under-recoveries as match in the VR program.

CHAPTER 6: INDEPENDENT LIVING PROGRAM

During the process of the review, it was found that there were multiple errors in MI's IL data. As a result, the IL data for the reviewing period are not presented here to avoid misinterpretation.

IL Program Administration and Service Delivery

MRS and MCB jointly share responsibility for the administration of the IL part B program in MI. MCB provides IL services directly through rehabilitation teachers and through contract staff to individuals who are blind or visually impaired. The network of 15 CILs that collectively form the DN/M provides IL services statewide to individuals with disabilities through core funding made up of a combination of part B, part C, and state funds. The state appropriates approximately 1.8 million dollars for the operation of CILs. The total number of individuals served increased from 9,101 in FY 2007 to 10,338 in FY 2008.

The MI SILC was established in 1994 by Executive Order No. 1994-21 as a Governor-appointed council in accordance with the federal requirements of Title VII of the Act. The executive order was last revised as Executive Order No. 2007-49, dated December 20, 2007. Initially, the SILC arranged fiduciary services to be provided by third-party nonprofit organizations until 1999 when it established a nonprofit corporate arm to perform certain financial brokering duties that fall outside the scope of allowable activities for the SILC to perform with Title VII funds⁶. The nonprofit operates under a contractual agreement with MRS and MCB for approximately \$370,000 in IL part B funds. The nonprofit also receives state operating funds.

Personnel

At the state agency level, both MCB and MRS have staff designated to carry out program and administrative support functions for the IL program. MRS designates one FTE as the state IL program coordinator and partial FTEs for a grants analyst, grants technician, and the division director. MCB designates its program director as a partial FTE to work with the SILC and MRS on the IL program. In addition to program support, MCB rehabilitation teachers provide IL services. However, these staff members do not work solely on the IL part B program, but also on other programs, including the VR and OIB programs⁷.

The SILC nonprofit entity employs one FTE executive director, who works under an employment contract to the council, one FTE operations director, one FTE systems support coordinator, who also provides IT support for DN/M and the Michigan CILs, and employs a partial (1/4) FTE state plan supports coordinator. The nonprofit also contracts for a (1/12) FTE financial officer and an intern from MSU to assist with SPIL activities, including evaluations.

⁶ See Chapter 3, Compliance Finding 1, SILC Providing Donated CIL Funds to MRS for matching.

⁷ See Chapter 5, Compliance Finding 3, Assigning Personnel Costs.

Data Management

In an effort to achieve more consistency in data collection among CILs, the primary IL service providers in the state, MI provided funding to CILs in 2008 to purchase a data management system that would be common to all CILs. This initiative also included training on the use of the system. During the second on-site visit to MI, RSA met with the SILC and DN/M program evaluation committee responsible for the development and coordination of MI's CIL data system. At the time of the review, the system had not been implemented long enough to fully assess its effectiveness in achieving data consistency among CILs. However, the SILC and DN/M anticipates more accurate data reporting of the FY 2009 data. In addition to the system used by the CILs, MCB uses its own internal system to collect data on individuals served by the agency.

Fiscal Management

MRS and MCB provide financial management for IL services purchased with state or part B funds. MRS monitors requests for funds from CILs received monthly and approves payment. MRS conducts monitoring of quarterly fiscal and narrative reports submitted by CILs.

Quality Assurance

QA is primarily carried out through the quality improvement team (QIT), an interagency team made up of IL partners, including staff of MRS and MCB, the SILC, the CAP, and DN/M. The QIT provides support, training, and TA to the network of CILs. The QIT conducts periodic on-site reviews of CILs, including the following activities: interviews with consumers, community partners, CIL staff, management and board members. Following a review, the QIT provides reports to the CIL, highlighting good performance as well as making recommendations for improvements with subsequent follow-up. The QIT meets quarterly to develop and coordinate resources to meet the training and TA needs of CILs.

To evaluate the implementation of the SPIL objectives, the SILC receives quarterly reports from the SPIL committee and subcommittees, notes from the QIT, and other reports.

Planning

MI has a multi-agency IL strategic planning group that includes representatives of MRS, MCB, the SILC, and the MCDC. The group meets quarterly to dialogue about issues, concerns, visions, and plans for the MI IL program and the CIL network. Regarding the planning process for the SPIL, MI has used the services of a planning consultant to facilitate plan development. The consultant conducted surveys with key state partners. MI used survey results in the development of SPIL goals. The SILC state plan committee meets quarterly and reviews recommendations of subcommittees.

IL Program Technical Assistance Provided to Michigan During the Review Process

RSA provided IL TA to MRS, MCB and the SILC during the review process regarding:

- SILC mandated duties;
- IL “cash match” and IL state match collaborative agreements;
- IL data management;
- 704 Part I reporting requirements;
- SILC composition;
- SPIL development; and
- SPIL goals and objectives.

Observations of MRS, MCB, the SILC, and Stakeholders about the Performance of the IL Program

RSA solicited input from MRS, MCB and the SILC and a wide range of its stakeholders about the performance of the IL program. MRS, MCB, the SILC, and stakeholders shared the observations below.

- More individuals are seeking IL services through CILs due to the current economic downturn.
- MI has significant areas of the state that are underserved with respect to IL services.
- MI’s state legislature provides general revenue funds to support CILs.
- IL partners established an initiative to improve data consistency among CILs.
- MI has a strong partnership between the VR and IL programs.
- CILs expressed concerns regarding the financial impact of the loss of funds related to the IL “cash match” and IL state match collaborative agreements.

RSA discussed the observations of its stakeholders with MRS, MCB, and the SILC and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

IL Program Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to MRS, MCB and the SILC about those observations. MRS and MCB responded to each of the recommendations and in those instances when RSA, MRS and MCB agreed upon a recommendation, RSA and MRS, MCB, and the SILC identified the TA that RSA would provide to MRS and MCB to successfully implement the recommendation.

1. SPIL

Observations: As part of its monitoring of the MI IL part B program, RSA used MI’s SPIL as a primary resource in reviewing the duties of the DSUs and the SILC, the SILC’s resource plan funded with part B funds, and IL service delivery. In the review of the SPIL, RSA had concerns regarding the scope and amount of information included in the SPIL, the duties of the SILC

related to the partnership agreements described in section 1.5, and IL service delivery under the collaborative agreements.

- It is difficult to locate required information in MI's SPIL due to its length. The SPIL is 212 pages in length and contains extraneous information that is not required by federal statute and regulation, including: an executive summary, a 15-page glossary of terms, a five-page key to acronyms and abbreviations, a 16-page description of MI's prototype CIL, a 6-page description of MI's developmental benchmarks, logic model flow charts for each objective, an explanation of a new IL paradigm, charts of CIL service availability, an outline of MI's business strategic plan outline, and a summary of MI's community input and needs.
- In the SPIL Foreword⁸, authors acknowledge the SPIL length by the statement that people often report they find the SPIL to be complex and difficult to use. Another reference encourages readers to extract portions of the document they find helpful for use in planning and program activities.
- MI's SILC established a nonprofit corporate arm to perform certain financial brokering duties that fall outside the scope of allowable activities for the SILC to perform with Title VII funds⁹, including serving as a pass through of funds between the CILs and MRS in state collaborative agreements.

Recommendations: RSA recommends that the DSUs/SILC:

- 1.1 streamline the next SPIL, due on July 1, 2010, to include only information that is required by the statute and regulations, consistent with the SPIL instructions, and eliminate other extraneous information or maintain it on the SILC's website, in order to make the SPIL more useful as a planning document for IL as well as to make it easier for MI's IL constituents to understand and for MI's SILC to evaluate the implementation; and
- 1.2 consistent with revisions to be made in the SPIL related to Compliance Finding 1 in Chapter 3, revise the language in the SILC's bylaws and Executive Order No. 2007-49 to specify that when the SILC is performing other duties beyond its mandated duties, it will not use federal funds or state matching funds.

DSUs/SILC Response:

- 1.1 In September 2009, the council appointed an Ad-Hoc Committee for the purpose of developing options for reformatting our SPIL for FY 2011-2013. Michigan SILC would encourage RSA to develop model documents regarding a consistent SPIL for the states.
- 1.2 SILC will reinforce the requested language in the SPIL for FY 2011-2013, which will state; "When performing other duties beyond its mandated duties, it will not use federal funds or state matched funds".

Michigan SILC is aware of this issue and has referred it to the Governor's office. Revision of the SILC Executive Order will be dependent upon action by the Governor's office. Because it reflects the decisions and practices of the office, revision of the Executive Order and subsequently of the SILC bylaws will be dependent upon action by the Governor's Appointments Specialist to clarify the issue.

⁸ See SPIL, Foreword, page 2.

⁹ See Chapter 3, Compliance Finding 1, SILC Providing Donated CIL Funds to MRS for Matching.

Technical Assistance: The DSUs/SILC requested TA on the availability of model SPILs.

RSA Response: Subsequent to the on-site review, RSA, in conjunction with SILC-NET, developed the “How-to Develop an Outcomes-Focused SPIL” and informed all states of this TA resource.

IL Program Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that MRS, MCB, and the SILC are required to undertake. MRS, MCB, and the SILC must develop a corrective action plan for RSA’s review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and RSA is available to provide TA to assist MRS, MCB, and the SILC.

1. SILC Appointments and Term Limits for Non-Voting Members

Legal Requirements:

34 CFR 364.21(b)(1) - Appointment. Members of the SILC must be appointed by the Governor or the appropriate entity within the State responsible, in accordance with State law, for making appointments.

34 CFR 364.21(b)(2)(i)(b) - Term appointments. Each member of the SILC shall serve for the term of three years, except that - (3) No member of the SILC may serve for more than two consecutive terms.

Finding 1: DSUs/SILC are not in compliance with the federal requirements at 34 CFR 364.21(b)(1) and 34 CFR 364.21(b)(2)(i)(b), because the ex-officio members of MI’s SILC are not appointed by the Governor, the appointing authority named in MI’s executive order, and are not subject to the same term limits as voting members. Some of these representatives, including representatives from MRS and MCB, have served on an on-going basis since the establishment of the SILC.

Corrective Action 1: RSA requires that DSUs/SILC take the steps necessary to ensure that all SILC members are appointed by the Governor and subject to the uniformly required term limits specified in federal regulations, regardless of their status as ex-officio, non-voting or voting members. Members of the SILC whose term limits have expired are no longer valid members and cannot participate in or vote on SILC business. Their positions are considered vacant. Examples of corrective actions that the State and the SILC can take to reach compliance include: revising sections II.D and G of the Executive Order No. 2007-09, dated December 20, 2007, to be consistent with federal requirements at 34 CFR 364.21(b)(1) and 34 CFR 364.21(b)(2)(i)(b) regarding appointments and term limits and revising Articles IV.B and H of the SILC’s bylaws regarding member appointments and term limits to be consistent with the revised Executive Order.

Technical Assistance: None requested at this time.

DSUs/SILC Response: MCB, MRS, and SILC will collaborate to propose language to amend the Governor's Executive Order and to revise by-laws regarding member appointments and term limits. Neither MCB, MRS nor the SILC is in a position to unilaterally make the recommended changes.

Technical Assistance: None requested at this time.

CHAPTER 7: INDEPENDENT LIVING FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAM

OIB Program Administration and Service Delivery

MCB has responsibility for the administration of the OIB program in MI and uses both direct staff and contract staff to provide OIB services. MCB uses an external contractor to recruit and hire rehabilitation teachers who are then supervised by MCB staff. The personnel standard, a master's degree in rehabilitation teaching, is the same for contract staff as for internal staff. In 1985, MCB began to hire contract staff as a result of the need to increase the number of FTEs in the program. Individuals over the age of 55 with a severe visual impairment who meet the requirement of a severe impediment to employment, but who do not wish to pursue competitive employment, and who cannot perform work in the four core areas (kitchen skills, travel skills, home management, and communication skills) to qualify as a homemaker in the VR program are referred to the OIB program. The number of individuals served in the OIB program decreased from 1,558 in FY 2007 to 1,391 in FY 2008.

Personnel

MCB staff members provide services in multiple programs, including VR, IL part B, and OIB, and did not begin maintaining time distribution records until February 2009.¹⁰ Previously, staff made individual determinations regarding the amount of time expended on each program. MCB did not establish uniform guidelines. Therefore, the number of FTEs in the OIB program is not available for this report.

Data Management

MCB utilizes the same data management system for collecting OIB data as it uses for the VR program. MCB staff reported that they had experienced a systems problem with the OIB data when the agency upgraded to another version. The problem resulted in errors in the data reported in the FY 2008 7-OB report. Laptops and air cards are available to all rehabilitation teachers in the field.

Quality Assurance

MCB has not established QA processes or systems for any components of the OIB program.

Planning

OIB planning is part of MCB's overall strategic planning process through the Vision 20/20 initiative. Also, MCB staff members participate on the QIT with other IL partners in the state to ensure a coordinated statewide planning.

¹⁰ See Chapter 5, Compliance Finding 3, Assigning Personnel Costs.

OIB Program Technical Assistance Provided to MCB During the Review Process

RSA provided OIB TA to MCB during the review process regarding:

- 7-OB data reporting;
- OIB policies and procedures; and
- time distribution management for staff working on multiple programs.

Observations of MCB and Its Stakeholders about the Performance of the OIB Program

RSA solicited input from MCB and a wide range of its stakeholders about the performance of the VR and SE programs. The MCB and its stakeholders shared the observations below.

- It is difficult to provide OIB services in the upper peninsula, especially to members of the Hannahville American Indian tribe.
- There would be benefits of providing more outreach and training at senior centers on assistive technology and low vision aids and devices.
- It is important to find qualified individuals willing to work in the upper peninsula area of the state, which is the most rural.
- There are insufficient resources and staff to respond to the needs of the increasing numbers of older individuals.

RSA discussed the observations of its stakeholders with MCB and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

OIB Program Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to MCB about those observations. MCB responded to each of the recommendations and in those instances when RSA and MCB agreed upon a recommendation, RSA and MCB identified the TA that RSA would provide to MCB to successfully implement the recommendation.

1. Administration of the OIB Program

Observations: The operational processes for the OIB program are not administered separately within MCB but rather included among the other programs within the agency. As a result there is not a clearly identified source of expertise for the program, new staff members do not have a written OIB manual to review, and an organized evaluation process of the program is not in place.

- MCB does not have staff dedicated solely to the OIB program, but have staff members who share responsibilities across multiple programs, including the VR program.¹¹ In addition, MCB utilizes both direct and contract staff.

¹¹ See Chapter 5, Compliance Finding 3, Assigning Personnel Costs.

- MCB uses VR policies for the OIB program and does not have policies specific to the OIB program despite the differences in VR and OIB program requirements.
- MCB does not have any established QA processes to evaluate OIB services provided to the target population.
- MCB does not have a tracking system in place to determine how many individuals in the VR program are referred to the OIB program. In addition, MCB's data management system cannot track OIB data accurately for purposes of federal and state reporting.

Recommendations: RSA recommends that MCB:

- 1.1 develop and implement policies and procedures specific to the OIB program requirements;
- 1.2 develop and implement QA processes to evaluate the delivery of OIB services; and
- 1.3 revamp MCB's data management system to track OIB data accurately.

MCB Response: None provided.

Technical Assistance: None requested at this time.

CHAPTER 8: PROGRESS ON ISSUES RAISED IN PREVIOUS REVIEWS OF MRS

RSA developed a corrective action plan as a result of a monitoring review conducted with MRS in FY 2004. The plan contained the following actions to be completed by MRS:

- presume eligibility for applicants who receive SSI or SSDI benefits, consistent with 34 CFR 361.42(a)(3)(i)(A);
- develop IPEs in a timely manner, consistent with 34 CFR 361.45(a)(1);
- document all significant services provided to the individual in the IPE, consistent with CFR 361.46(a)(2)(i); and
- complete IPE amendments in order to reflect changes in the vocational goal, consistent with 34 CFR 361.56(a).

In addition, pursuant to a review of the MRS VR State Plan, it was determined that MRS did not have agreements with all public institutions of higher education (IHEs).

On October 2, 2007, RSA informed MRS that it had successfully completed its corrective action plan, including the signing of the agreements with the IHEs.

CHAPTER 9: PROGRESS ON ISSUES RAISED IN PREVIOUS REVIEWS OF MCB

As a result of the RSA monitoring review conducted with MCB in FY 2004, MCB developed a corrective action plan. The plan contained the following actions to be completed by MCB:

- conduct an assessment to identify and describe all of an eligible individual's needs for VR services, consistent with 34 CFR 361.45 (b) (1);
- determine eligibility within 60 days, and when the determination is not made within this timeframe, an extension is to be agreed to by the VR counselor and consumer (34 CFR 361.41(b)(1));
- develop IPEs in a timely manner, consistent with CFR 361.45(e);
- develop a formal exception policy for the absolute dollar limit on services to individuals who are employed, consistent with 34 CFR 361.50 (c); and
- request a waiver of statewideness consistent with CFR 361.25.

In addition, pursuant to a review of the MCB VR State Plan, it was determined that MCB did not have agreements with all public IHEs.

On October 2, 2007, RSA informed MCB that it had successfully completed its corrective action plan, including the signing of the agreements with the IHEs.

APPENDIX A: SOURCES OF DATA

VR and SE Program Highlights

- Total funds expended on VR and SE – RSA-2 line 1.4
- Individuals whose cases were closed with employment outcomes - RSA-113 line D1
- Individuals whose cases were closed without employment outcomes - RSA-113 line D2
- Total number of individuals whose cases were closed after receiving services – RSA-113 line D1+D2
- Employment rate – RSA-113 line D1 divided by sum of RSA-113 line D1+D2, multiplied by 100
- Individuals whose cases were closed with SE outcomes – Total number of individuals whose employment status at closure (record position 161) = 7 in the RSA-911 report
- New applicants per million state population – RSA-113 line A2 divided by the result of the estimated state population divided by 1 million. The estimated state population is found on the following website:<http://www.census.gov/popest/states/NST-ann-est.html>
- Average cost per employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who achieved an employment outcome (record position 198 = 3) divided by the total number of these individuals
- Average cost per unsuccessful employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who did not achieve an employment outcome (record position 198 = 4) divided by the total number of these individuals
- Average hourly earnings for competitive employment outcomes - Sum of individuals' weekly earnings at closure (record position 163-166) divided by the total hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure > 0, where the type of closure (record position 198) = 3, and where competitive employment (record position 162) = 1
- Average state hourly earnings – Using the most relevant available data from the Bureau of Labor Statistics Report (<http://www.bls.gov>), state average annual earnings divided by 2,080 hours

- Percent average hourly earnings for competitive employment outcomes to state average hourly earnings – Average hourly earnings for competitive employment outcomes (above) divided by the Average state hourly earnings (above) multiplied by 100
- Average hours worked per week for competitive employment outcomes - Average hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure (record position 163-166) > 0 and where the type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Percent of transition-age youths served to total served – Total number of individuals whose age at closure is 14-24 and whose type of closure (record position 198) is 3 or 4 divided by all individuals of any age whose type of closure (record position 198) is 3 or 4
- Employment rate for transition population served – Total number of individuals whose age at closure is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at closure is 14-24 and whose type of closure (record position 198) is 3 or 4 multiplied, the result of which is multiplied by 100
- Average time between application and closure (in months) for individuals with competitive employment outcomes - Average of individuals date of closure (record position 201-208) minus date of application (record position 15-22) in months where type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Standard 1 – To achieve successful performance on Evaluation Standard 1 the DSU must meet or exceed the performance levels established for four of the six performance indicators in the evaluation standard, including meeting or exceeding the performance levels for two of the three primary indicators (Performance Indicators 1.3, 1.4, and 1.5).
- Standard 2 – To achieve successful performance on Evaluation Standard 2, the DSU must meet or exceed the performance level established for Performance Indicator 2.1 (.80) or if a DSU's performance does not meet or exceed the performance level required for Performance Indicator 2.1, or if fewer than 100 individuals from a minority population have exited the VR program during the reporting period, the DSU must describe the policies it has adopted or will adopt and the steps it has taken or will take to ensure that individuals with disabilities from minority backgrounds have equal access to VR services.

Appendix B: FY 2008 MRS “Cash Match” Agreements

			Local	MRS	Total	Letter (L)	Additional
Division / District		Local Partner	Match (27%)	(73%)	Agreement	t	Earned \$s
Division I							
111	Grand Rapids	Kent ISD Transitions	84,100	227,381	311,481	11/5/07	83,354
112	Grand Rapids	Ionia ISD Transitions	25,000	67,593	92,593	11/5/07	24,778
113	Grand Rapids	Kent ISD/United Way/GWI-ASSETS	30,000	81,111	111,111	11/5/07	29,734
114	Grand Rapids	Kent FIA/Sojourners -TBI	27,000	73,000	100,000	11/5/07	26,761
115	Grand Rapids	Network 180/Supported Employment	68,300	184,663	252,963	11/5/07	67,694
116	Grand Rapids	Kent County/Hope Network - Exodus H	17,000	45,963	62,963	11/5/07	16,849
117	Grand Rapids	Network 180 Pinerest	16,000	43,259	59,259	11/5/07	15,858
118	Grand Rapids	Kent County Office Comm. Corr. - GW	20,000	54,074	74,074	11/5/07	19,823
119	Grand Rapids	Kent ISD/Lions - Deaf HoH	2,000	5,407	7,407	11/5/07	1,982
1110	Grand Rapids	Kent County Health Department - Mar	50,000	135,185	185,185	11/5/07	49,557
1111	Grand Rapids	Ionia County CMH	15,000	40,556	55,556	11/5/07	14,867
1112	Grand Rapids	Network 180 Substance Abuse	45,000	121,667	166,667	11/5/07	44,601
	District Total		399,400	1,079,859	1,479,259	11/5/07	395,858
121	Marquette	Copper Country ISD (CCISD-CMH)	17,550	47,450	65,000	10/29/07	17,394
122	Marquette	Delta-Schoolcraft ISD	20,077	54,282	74,359	10/29/07	19,899
123	Marquette	Dickinson-Iron Intermediate School Di	21,427	57,932	79,359	10/30/07	21,237
124	Marquette	Eastern UP ISD	20,077	54,282	74,359	10/29/07	19,899
125	Marquette	Gogebic-Ontonagon ISD	5,928	16,028	21,956	10/31/08	5,875
126	Marquette	Marquette-Alger ISD	26,827	72,532	99,359	10/31/07	26,589
127	Marquette	Menominee ISD	24,368	65,884	90,252	10/30/07	24,152
128	Marquette	Copper Co. CMH	14,677	39,682	54,359	10/29/07	14,547
129	Marquette	Dickinson-Iron CMH/Northpointe Beh.	5,227	14,132	19,359	10/30/07	5,181
1210	Marquette	Gogebic Co. CMH	4,567	12,348	16,915	10/30/07	4,527
1211	Marquette	Hiawatha Behav. Health (Schrcft-East	16,567	44,792	61,359	11/2/-07	16,420
1212	Marquette	Pathways (Alger, Delta, Luce & Mqt. C	13,327	36,032	49,359	10/30/07	13,209
1213	Marquette	Hannahville Indian Community	2,527	6,832	9,359	112/4/07	2,505
1214	Marquette	Dickinson County Commission	6,557	17,728	24,285	11/2/07	6,499
	District Total		199,703	539,938	739,641		197,932
131	Oakland	Bloomfield Hills Schools	4,000	10,815	14,815	10/31/07	3,965
132	Oakland	Bloomfield Hills Schools--Deaf Progra	3,000	8,111	11,111	10/31/07	2,973
133	Oakland	Huron Valley School	8,000	21,630	29,630	10/31/07	7,929
134	Oakland	Oak Parks Schools	10,800	29,200	40,000	10/31/07	10,704
135	Oakland	Oakland Community College -- BOLD	19,001	51,373	70,374	12/6/07	18,833
136	Oakland	Oakland County CMH Authority	341,500	923,315	1,264,815	10/31/07	338,472
137	Oakland	Oakland Schools ISD	170,000	459,630	629,630	10/31/07	168,492
138	Oakland	Rochester Schools	4,000	10,815	14,815	10/31/07	3,965

Appendix C: Service Record Review FormVR Agency: MRS Reviewer: _____

Service Record Number: _____

Disability Priority Category: _____

Status: Closed Employed: _____ Closed Not Employed: _____

Service Record Type: Transitioning Youth: ____ MH: ____ DD: ____

Referral Source: _____

Significant Dates:

Referral: _____ Application: _____

Eligibility: _____ IPE Signed: _____

Employment Began (if applicable): _____ Closure: _____

_____ # Days from Referral to Application

_____ # Days from Application to Eligibility

_____ # Days from Eligibility to IPE

I. ELIGIBILITY

	YES	NO	N/A
1. Does the service record documentation support the following determinations:			
(a) The applicant has a physical or mental impairment?	<input type="checkbox"/>	<input type="checkbox"/>	
(b) The applicant's physical or mental impairment constitutes or results in a substantial impediment to employment for the applicant?	<input type="checkbox"/>	<input type="checkbox"/>	
(c) The applicant requires VR services to prepare for, secure, retain, or regain employment?	<input type="checkbox"/>	<input type="checkbox"/>	
(d) Did the applicant receive orientation services prior to the determination of eligibility?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e) If so, what services: _____, _____, _____			
2. Based on all the information in the service record, is the applicant eligible?	<input type="checkbox"/>	<input type="checkbox"/>	

	YES	NO	N/A
3. If the answer to question 2 is "NO," or if there is a discrepancy between the responses to questions 1 and 2 above, please state why. **Comments			
Application to Eligibility			
4 (a) Was the eligibility/ineligibility determination made within 60 days of the individual's application?	<input type="checkbox"/>	<input type="checkbox"/>	
(b) If 4(a) is "NO," did the counselor and applicant agree to a specific extension of time? (If 4(a) is "YES," choose "N/A.") **Comments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

II. ASSESSMENT

	YES	NO	N/A
5. Does the service record documentation support the counselor's determination of the level of significance of the individual's disability? If "NO," explain. **Comments	<input type="checkbox"/>	<input type="checkbox"/>	
6. Does the assessment material support the identification of an employment goal that is consistent with the individual's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice? If NO, explain. **Comments Employment Goal: _____	<input type="checkbox"/>	<input type="checkbox"/>	

III. TIMELINESS

	YES	NO	N/A
Referral to Informing Individual of the Application Requirements			
7. (a) Did the agency make a good faith effort to meet the time standard for informing the individual about the application requirements? ** Comments	<input type="checkbox"/>	<input type="checkbox"/>	

	YES	NO	N/A
Service Provision			
8. (a) Was the IPE signed by the VR counselor?	<input type="checkbox"/>	<input type="checkbox"/>	
(b) Was the IPE signed by the individual receiving services?	<input type="checkbox"/>	<input type="checkbox"/>	
9. (a) What VR services were planned on the IPE? _____, _____, _____ _____, _____, _____			
(b) What services were provided? _____, _____ _____, _____			
10. Were VR services were provided to the individual prior to the development of the IPE, including orientation services?	<input type="checkbox"/>	<input type="checkbox"/>	
If so, list services: _____, _____, _____			

[illegible]

VI. CLOSURES WITHOUT EMPLOYMENT OUTCOMES

	YES	NO	N/A
14. (a) Does the service record document the reason(s) for closing the case without an employment outcome (e.g., as not rehabilitated)? If YES, describe the reason(s) for this closure. **Comments	<input type="checkbox"/>	<input type="checkbox"/>	

VII. TRANSITION SERVICES

	YES	NO	N/A
15. Please check the most appropriate item below. The service record indicates that the youth with a disability, when referred to the VR program, was a:			
a. student receiving special education services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. student receiving services under section 504 of the Rehabilitation Act	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. youth with a disability out of school	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Other - Please specify: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. Was the IPE signed before the student with a disability left school? **Comments	<input type="checkbox"/>	<input type="checkbox"/>	
17. Was the employment goal in keeping with the youth's long-term vocational interest, capabilities, skills and choice? If NO, please explain. **Comments	<input type="checkbox"/>	<input type="checkbox"/>	

FISCAL YEAR 2009 MONITORING REPORT

STATE OF MICHIGAN

Reviewer	A	B	B	A	C	D	D	E	E	E	E	C	A	A	A	C	A	B	B	B	B	A	A	A	C	A	A	D
Record #	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	
Disab	MSD	MSD	MSD	MSD	MSD	MSD	MSD	MSD	MSD	SD	MSD	SD	MSD	MSD	MSD	MSD	MSD	MSD	MSD	SD	MSD	MSD	MSD	MSD	MSD	MSD	MSD	
Status	28	28	28	26	26	28	26	26	26	26	26	26	28	28	26	28	26	26	28	26	28	26	28	28	26	26	28	
Record Type	DD	MH	MH	MH	MH	DD	DD	DD	MH	MH	DD	MH	MH	MH	MH	MH	MH	MH	DD	MH		MH	MH	DD	MH	DD	MH	
Ref Source	CMH	CMH	CMH	CMH	CMH	Private	Private	Private	Private	CMH	Private	Other	CMH	Private	Self	Other	CMH	CMH	College	CRP	Private	Other	CRP	Private	Other	Private	Private	
Ref Date	10/4/6	6/15/6	5/24/6	10/10/6	6/14/6	5/23/6	11/10/6	6/14/5	5/27/5	1/7/7	8/24/6	1/10/7	9/18/6	1/3/6	2/9/6	5/6/5	3/21/6	8/29/6	9/16/4	3/30/4	7/14/6	4/5/6	2/5/7	1/31/2	5/26/5	4/1/4	9/5/7	
App Date	10/6/6	6/19/6	5/30/6	10/12/6	6/14/6	5/23/6	11/10/6	6/16/5	6/7/5	1/19/7	8/25/6	1/10/7	9/19/6	1/6/6	2/9/6	5/6/5	3/22/6	9/18/6	9/16/4	3/30/4	7/17/6	4/6/6	2/2/7	1/31/2	6/2/5	4/22/4	9/6/7	
Elig Date	10/17/6	6/21/6	5/30/6	10/16/6	7/6/6	5/24/6	11/14/6	7/27/5	6/16/5	1/30/7	8/25/6	1/10/7	9/19/6	1/20/6	3/3/6	5/6/5	4/3/6	10/9/6	9/21/4	5/20/4	7/24/6	4/10/6	2/13/7	2/1/2	6/2/5	5/7/4	9/10/7	
IPE Date	10/4/6	6/28/6	5/30/6	11/16/6	5/22/7	5/24/6	11/15/6	8/26/5	10/14/5	1/17/7	8/23/6	1/10/7	9/19/6	1/9/6	6/7/6	5/2/5	5/31/6	11/13/6	9/16/4	12/28/5	7/25/6	4/5/6	2/13/7	2/1/2	6/2/5	5/10/4	9/11/7	
2nd IPE?															4/11/7	10/16/6					10/24/6			8/15/6				
3rd IPE?															4/25/7													
Empl Began	10/19/6			11/16/6	5/22/7		11/16/6	8/26/5	6/21/5	1/30/7	9/7/6	2/27/7	9/19/6	1/20/6	3/1/7	5/18/5	7/10/6	4/17/7		2/1/7	7/25/6	5/2/6	3/5/7	2/1/2	11/6/6	6/10/4	9/10/7	
Closure	5/23/7	9/11/7	5/22/7	3/7/7	8/21/7	11/21/6	6/27/7	9/7/7	1/12/7	5/7/7	1/31/7	5/29/7	1/30/7	10/27/66	12/76/11/7	11/1/6	7/19/7	5/16/7	5/2/7	4/25/7	2/26/7	8/16/7	6/6/2	2/26/7	11/1/6	1/7/8		
# Ref - App	2	4	6	2	0	0	0	2	10	12	1	0	1	3	0	0	1	19	0	0	3	1	-3	0	6	21	1	
# App - Elig	11	2	0	4	22	1	4	41	9	11	0	0	0	14	24	0	11	21	5	50	7	4	11	1	0	15	4	
# Elig - IPE	-13	7	0	30	316	0	1	29	118	-13	-2	0	0	-11	94	-4	58	34	-5	578	1	-5	0	0	0	3	1	
IPE - Empl	15			0	0		1	0	-113	13	14	47	0	11	264	16	40	154		393	0	27	22	0	514	30	-1	
Empl - Closure	214			111	89		221	731	561	97	144	92	131	277	101	743	111	92		91	270	294	161	125	110	861	117	
App - Clos	227	442	352	145	427	178	227	801	575	108	156	139	131	291	483	755	219	301	960	1,112	278	320	194	126	624	909	121	
1.a	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
1.b	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
1.c	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	
1.d	Y	N	N	N	N	Y	Y	N	N	Y	N	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	
2	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	
4.a		Y	Y	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
4.b		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		N/A			N/A	N/A	N/A	N/A	N/A	N/A			N/A		N/A	N/A	N/A	
5		Y	Y	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	
6		Y	Y	Y	Y	Y	Y	Y	Y	N		Y			Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
7.a		Y	Y	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
8.a		Y	Y	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
8.b		Y	Y	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
10		Y	N	N	Y	Y	Y	Y	Y	Y		N			N	N	Y	Y	N		N	Y	Y	N	Y	Y	N	
11				Y	N		Y	Y	Y	N		Y			N		Y	Y		Y		Y		Y	Y	Y	N	
12				Y	Y		Y	Y	Y	N		Y			Y		Y	Y		Y		Y		Y	Y	Y	Y	
13.a				Y	Y		Y	Y	Y	Y		Y			Y		Y	Y		Y		Y		Y	Y	Y	Y	
13.b				Y	Y		Y	Y	Y	Y		Y			Y		Y	Y		Y		Y		Y	Y	Y	Y	
14		Y	Y			Y		Y	Y	Y		Y			Y		Y	Y		Y		Y		Y	Y			
																Y			Y				Y	Y				

* Due to space considerations, comments and services provided are not included above and are available upon request.

Reviewer	D	C	A	A	A	D	B	B	C	A	D	D	E	A	A	D	A	D
Record #	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
Disab	MSD	MSD	SD	MSD	MSD	MSD	MSD	SD	MSD	MSD	SD	MSD	MSD	MSD	SD	SD	MSD	MSD
Status	28	28	26	26	26	26	26	26	26	28	28	28	28	26	28	26	28	26
Record Type	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY	TY
Ref Source	Elem/HS	Elem/HS	Elem/HS	Elem/HS	Other	Elem/HS	Elem/HS	Elem/HS	Elem/HS	Elem/HS	Elem/HS	Elem/HS	Elem/HS	Other	Other	Elem/HS	Elem/HS	Other
Ref Date	1/13/06	11/10/03	11/1/05	5/17/06	10/20/04	10/23/06	2/7/06	2/14/05	11/30/05	3/22/04	6/23/04	5/10/05	3/26/04	5/29/03	5/30/07	4/24/06	9/17/01	5/10/05
App Date	1/13/06	11/10/03	11/29/05	5/17/06	11/19/04	10/30/06	2/14/06	3/14/05	12/1/05	3/22/04	6/23/04	6/13/05	3/31/04	5/29/03	6/12/07	4/24/06	9/17/01	6/13/05
Elig Date	1/20/06	11/10/03	1/24/06	7/26/06	1/11/05	11/8/06	3/24/06	5/13/05	5/10/06	6/3/04	6/23/04	8/3/05	3/31/04	5/30/03	6/13/07	5/10/06	9/17/01	8/2/05
IPE Date	2/1/06	4/28/04	1/24/06	8/4/06	1/2/06	12/11/06	7/5/06	9/13/05	9/27/06	9/8/05	12/1/07	12/20/05	5/27/04	8/3/06	6/13/07	8/21/06	6/13/02	12/22/05
2nd IPE?			6/1/06				3/21/07			7/26/06								
Empl Began			11/1/06	12/18/06	5/31/07	1/5/07	7/14/06	1/30/07	10/17/06				9/14/04	8/8/06		8/10/06	5/28/02	2/26/07
Closure	2/26/07	11/3/06	1/30/07	3/28/07	8/30/07	4/5/07	10/25/06	3/26/07	4/12/07	12/12/06	6/25/07	1/22/07	5/17/07	2/16/07	9/27/07	12/5/06	10/18/06	6/5/07
# Ref - App	0	0	28	0	29	7	7	30	1	0	0	33	5	0	12	0	0	33
# App - Elig	7	0	55	69	52	8	40	59	159	71	0	50	0	1	1	16	0	49
# Elig - IPE	11	168	0	8	351	33	101	120	137	455	1238	137	57	1143	0	101	266	140
IPE - Empl			277	134	509	24	9	497	20				107	5		-11	-15	424
Empl - Closure			89	100	90	90	101	56	175				963	188		115	1,580	99
App - Clos	403	1,073	421	311	1,001	155	251	732	491	980	1,082	579	1,127	1,337	105	221	1,831	712
1.a	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
1.b	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
1.c	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
1.d	Y	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N
2	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.a	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y
4.b	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	Y	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y
7.a	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.a	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.b	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Y	N	Y	Y	Y	N	Y	N	Y		Y	Y	N	Y	N	N	Y	N
11			N	Y	Y	Y	Y	Y	N						Y			Y
12			Y	Y	Y	Y	Y	Y	Y						Y		Y	Y
13.a			Y	Y	Y	Y	Y	Y	Y					Y		Y		Y
13.b			Y	Y	Y	Y	Y	Y	Y					Y		Y		Y
14	Y	Y								Y	Y	Y	Y		Y		Y	
15.a			Y	Y	Y			Y	Y		Y	Y	Y			Y		Y
15.b	Y	Y								Y								
15.c						Y	Y							Y	Y		Y	
15.d																		
16	N	Y	Y	N	Y	N	N	Y	Y	N	N	N	Y	N	N	Y	N	Y
17	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N

* Due to space considerations, comments and services provided are not included above and are available upon request.